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SAVINGS AND INVESTMENTS
Mortgages p10
Bridging loans p9
Building Societies
A SIX PAGE SURVEY

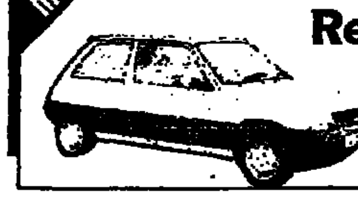
COLLECTING
p23

143 Years of fashion and foible

FEATURES
UK FOOD MARKET p24
Brand leaders go to war
A CONSTRUCTION NIGHTMARE
The dam that moved in the night
p25

TRAVEL

Stopovers: between jetsetting - and jetlag

MOTORING
Prospects for the born-again Renault

p19

WORLD NEWS

MPs back Powell's Bill on embryos

A Bill introduced by Enoch Powell seeking to ban scientific experiments with human embryos was given a second reading in the Commons by 238 votes to 66, despite the opposition of Health Department Ministers.

The size of the majority leaves the Government in a quandary. Social Services Secretary Norman Fowler had hoped to allow the Bill to founder at its committee stage, when the Government would have brought forward a comprehensive Bill dealing with all the recommendations of the Warnock report on human fertilisation.

Only 22 Conservatives opposed the Powell Bill, which would tightly control all "test tube" fertilisations, while 42 Labour MPs supported the measure in a free vote.

Ministers 'must quit'

Deputy Labour leader Roy Hattersley kept up pressure on the Government over the Clive Ponting affair, saying Ministers "who have misled the House of Commons" will inevitably have to resign or be sacked. Page 3

Solidarity men charged

Poland's authorities charged three Solidarity activists, arrested on Wednesday, with conspiring to provoke public disorder. Solidarity leader Lech Walesa said he had been summoned for questioning. Page 2

Spain expels U.S. 'spies'

Spain expelled two U.S. diplomats earlier this month for spying, the state news agency Efe said.

Aids prisoner moved

A prisoner suspected of having Aids was transferred from the Isle of Wight's Camp Hill jail to an isolation unit in Southampton hospital.

Hunger strike ends

Eddie Gallagher, jailed in 1976 for kidnapping a Dutch industrialist, ended his five-and-a-half-week hunger strike in the Curragh Military Hospital, County Kildare.

Tamils killed

Sri Lankan security forces killed 58 separatist Tamil guerrillas when they raided a jungle hideout, state radio said.

Israel pullout plans

Israeli troops in South Lebanon will start the second stage of a three-phase withdrawal at the end of April, with the pull-out completed by September, regional commander General Ori Orr said.

Forged notes warning

Scotland Yard and the Bank of England warned of a spate of forged £50 notes. They have poor thread and watermarks, and an uncharacteristic waxy feel.

Blizzards hit West

Winds of up to 75 mph hit the West Country. Blizzards uprooted trees and felled power lines in West Cornwall, where 3,000 homes had their electricity cut off. Weather, Back Page

Financial Times

We apologise to readers, advertisers and distributors for the shortage of yesterday's FT. This was due to a mechanical breakdown in the machine room.

BUSINESS SUMMARY

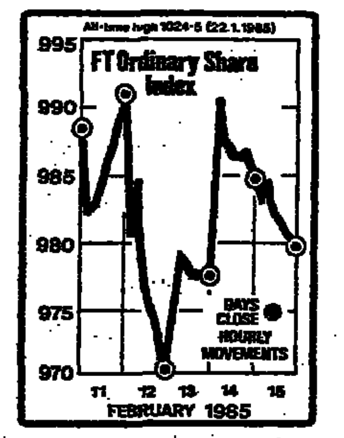
China offers to develop Ok Tedi

CHINA offered to form a joint venture with Papua New Guinea to take over development of the Ok Tedi gold and copper mine.

The government of Papua New Guinea ordered the mine's closure last week after accusing its developer, an international consortium, of renaging on pledges. Back Page

BRITISH AIRWAYS is to spend more than £90m buying a further three Rolls-Royce powered Boeing 757 twin-engined jets for delivery by the end of this year.

EQUITIES were subdued by a lower Wall Street performance. Most leading shares showed minor losses. The FT Ordinary share index closed 4.8 down at 979.9, a fall over the week of 8.6. Page 30



HONG KONG stock markets yesterday were stimulated by the bid on Thursday for property and shipping group Wheelock Marden. The Hang Seng index rose 51.54 to a three-year high of 1,405.93. Page 2

EUROPEAN Commission is poised to return to the offensive against EEC member states if the superlevy on surplus milk production is not paid by March 7. Back Page

THORN EMI said preparations were advancing for a possible stock market flotation of a minority holding in the former state-owned microchip manufacturer, Inmos, in which it bought a majority stake last year. Back Page; Thorn reorganisation, Page 3

CONSUMER prices in the 24 leading industrialised countries increased by 4.9 per cent last year, showing a lower inflation trend, the Organisation for Economic Co-operation and Development aid.

GREEK Finance Minister said the Bank of Greece was to begin dealing in marketable Treasury bills in April to inject life into the money market. Page 2

SWISS Reinsurance Company said a Munich hailstorm caused the world's largest insurance loss last year, with insured damage totalling about \$500m (£483m).

ROYAL INSURANCE Group is to increase premiums by an average of 7½ per cent for its 600,000 motorists from next month. Page 3

AETNA LIFE and Casualty and Cigna, the two largest investor-owned U.S. insurance companies, reported sharply lower earnings last year reflecting heavy property and casualty losses. Page 27

MS INTERNATIONAL, mining equipment manufacturer, made a taxable loss of £1.51m for the 26 weeks to October 27 against a £819,000 profit. Page 26

Miners' leaders study joint peace document

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE NATIONAL Union of Mineworkers' executive was last night grappling with a document agreed between the TUC and the National Coal Board, which sets out the board's right to shut loss-making capacity.

The first signs of their reaction seemed not to be hopeful. A statement from the union issued after eight hours of meeting at the TUC, said the executive believed that "the unions' response should now provide the basis for an immediate resumption of negotiations without preconditions and hopefully a resolvement of this long and damaging dispute."

This suggests that the NCB/TUC document has not been viewed by the executive as acceptable and that only the executive's response will be regarded as a basis for further talks.

The early indication last night was that the Executive's response had convinced the board that the initiative had proved fruitless and that substantive negotiations would not begin.

It seemed likely the Board would finally withdraw from this attempt at negotiations, presenting a tough stance to striking miners in the hope of a "surge back to work."

It is understood that both the NUM's executive and the executive of the pit deputies union, Nacods, could not accept a central section of the document, which makes clear the board's right to manage the industry.

A NUM letter was sent during the evening to the board from the TUC's Congress House headquarters, where the two executives were meeting. The board would not comment on it last night. It is understood that the letter demanded clarification and possibly changes in several points.

The NCB/TUC document, however, represents the limits of the board's concessions and will not be softened in response to union objections.

It was described by the TUC yesterday as essentially an NCB production with elements adopted from suggestions made by the TUC in the course of the many hours of meetings between Mr Norman Willis, general secretary of the TUC, and Mr Ian MacGregor, chairman of the NCB, over the past two weeks.

The board said the document could be described as a "joint effort." Others say that it was drawn up in response to the TUC's urging and that the board entered into its production only on the understanding that the TUC was making a genuine attempt to find a compromise between the two sides.

Mr MacGregor, initially reluctant to make a further attempt after so many failures in the past, did finally agree to the exercise and persuaded ministers that it was worth a further try.

Mr Willis made a determined effort of salesmanship yesterday. He met the NUM's three national officials—Mr Arthur Scargill, the President of the NUM, Mr Peter Heathfield, the General Secretary, and Mr Mick McGahey, the Vice President at 9 am, and carefully went over the document with them.

He repated the exercise an hour later with Mr Ken Sampey, the President of Nacods, Mr Peter McNestry, the General Secretary, Mr Glyn Jones, the Vice President, and Mr Joe Benham, the National Treasurer.

At midday, he gave the full

Continued on Back Page

NUM assets row, Page 5

Thatcher to adopt low-key stance on $ in U.S. talks

BY PETER RIDDELL, POLITICAL EDITOR

MRS MARGARET THATCHER will take a deliberately low-key approach to the problems caused by the strong dollar and the large U.S. budget deficit during her two-day visit to Washington next week.

The Prime Minister is extremely concerned about both issues but believes it would be pointless to protest in public too much, especially with the U.S. budget now being considered by Congress. She will not, according to an adviser, be going in swinging her handbag.

The softly-softly approach will be underlined at the series of private meetings arranged with all the main U.S. Cabinet officers responsible for economic matters and, separately, with Mr Paul Volcker, chairman of the Federal Reserve Board—the U.S. central bank.

In her public comments, Mrs Thatcher is expected both to stress her view that sterling is undervalued and to point to the underlying strength of the British economy.

In a characteristically hectic schedule, Mrs Thatcher will be seeing President Ronald Reagan on Wednesday lunchtime after addressing a joint meeting of the U.S. Congress. She will be the first British Prime Minister to do this since 1952 when Sir Winston Churchill spoke to Congress.

Mrs Thatcher will be accompanied by Sir Geoffrey Howe, the Foreign Secretary, and by Mr Michael Heseltine, the Defence Secretary, who will be having separate meetings with their U.S. opposite numbers.

The main priority in the talks with the president will be arms control, with Mrs Thatcher looking for an updating of the position ahead of the U.S.-Soviet talks in Geneva next month.

There is a clear desire on the British side to look ahead to these talks and to avoid opening up differences of emphasis over the U.S. Strategic Defence Initiative (the Star Wars proposal) about which Mrs Thatcher has some reservations.

The official British view is to argue that agreement was established during Mrs Thatcher's brief visit to the U.S. before Christmas that, while the research programme would go ahead, any SDI-related deployment would, in view of treaty obligations, have to be matter for negotiation with the Soviet Union.

Any British involvement in the SDI project is likely to be limited to the provision of scientific expertise and not Government money, although the UK will be looking for work which might boost employment in Britain.

Mrs Thatcher may raise Northern Ireland both in her speech to Congress and in private discussions. She will warn against supplying money and arms to terrorists who are damaging democracy both in the republic and in Northern Ireland.

Levi trims jobs to suit demand

BY ANTHONY MORETON, TEXTILES CORRESPONDENT

LEVI STRAUSS will cut its 1,700-strong British workforce by 670 as part of retrenchment moves which also involve shutting two of its four Scottish plants and transferring the operational centre from north London to Northampton.

The cuts reflect the battering the company has taken on jeans sales and other denim clothes. More cuts will be made at plants in France and Belgium and at Levi's Brussels office. The number of jobs to be lost on the continent has not yet been disclosed.

The changes and cuts in Europe mirror the regrouping of Levi's activities, which has already taken place in the U.S.

Levi's, the world's largest manufacturer of jeans, has been severely hit in the U.S. by the switch from jeans and denim clothes. Last year it closed 20 plants and laid off more than 5,000 workers in its home base.

In the last quarter of 1984 its net profit fell from \$51.6m (£47m) to \$1.68m as sales dropped 14.7 per cent to \$601m. Profit figures are not published separately for Europe.

Mr Miles Templeman, Levi's marketing director, said the U.S. problems were not the cause of the European job cuts but that the company had been hit by the same trends in both continents.

While "jeans are by no means dead," young buyers have switched from the tradifashion clothes. Levi, like other jeans manufacturers, is searching for ways to produce clothes more acceptable to the young buyers.

The company has also been hit by cheap imports, Mr Templeman said.

The two Levi plants in Scotland to be shut are at Bothwell, eight miles south-east of Glasgow, where 227 jobs will go and Inchinnan, the other side of the city, where 195 jobs will be lost.

The transfer of the operational centre from Wembley in north London to Northampton will cost 150 jobs. The rest of the redundancies will come from support services.

When the cuts have been made the UK workforce will be down to 1,030.

At the same time, Levi Strauss is reorganising its management, abolishing the geographic organisation which essentially divided Europe into north and south, and replacing it with a more functional, and decentralised, set-up based on product. All European headquarters operations will be based in Brussels.

Dollar eases on profit-taking

BY MAX WILKINSON IN LONDON AND STEWART FLEMING IN WASHINGTON

THE DOLLAR eased on foreign exchanges yesterday after a week of steady rises which lifted its overall value by 1 per cent in the first four days.

Yesterday's fall, in nervous markets, was generally ascribed to profit-taking ahead of the weekend rather than to any sea-change in market sentiment. Some dealers also mentioned the continued fear of central bank intervention against the dollar as a restraining factor.

They voiced their fears as Mr James Baker, U.S. Treasury Secretary, said in Washington that the U.S. had been intervening more readily recently to stem the dollar's rise.

By the end of yesterday's trading in London, the dollar's value against a trade-weighted basket of currencies was slightly below its Monday close, but still above last Friday's level.

The pound recovered some lost ground yesterday against the dollar and the D-mark, because of the dollar's fall and some firming of oil prices.

Sterling closed 1.15 cents up in London at \$1.1035, its best level for eight days, and rose 0.75 pfennigs to DM 3.60, its best for a week.

However, the Sterling Index, which measures its value against a trade-weighted basket of currencies, closed in London at 71.4, up 0.3 but still 0.4 of a point below its level of a week ago.

The reduced pressure on sterling led to an easing in London money market interest rates, with the three-month sterling interbank rate falling ⅜ of a percenage point to 13⅞ per cent.

However, there seemed little expectation of an immediate cut in banks' base lending rates from the present 14 per cent, nor any indication that the authorities want to move to lower interest rates until they see a firmer underpinning to sterling.

The easing of market pressures with rising prices in the London gilt-edged market yesterday encouraged the Bank of England to announce a £400m long-dated index-linked tap.

This is a 2½ per cent Indexed Treasury stock to be repayed in 2013. It will be sold by tender on February 21 with no minimum tender price.

The tap is intended to satisfy the continuing moderate demand for index-linked stock after the exhaustion of two index-linked taps last month.

Market indications are that the £800m conventional tap stock launched this week remains largely unsold, however, with the gilt-edged market still fundamentally nervous about the trend in the currency markets and UK interest rates.

The U.S. Treasury Secretary said at his first official press briefing in Washington: "We have intervened and we have done so since I have been here," Mr Baker, who was sworn in as Treasury Secretary on February 3, he refused to give details of the scale of intervention but noted: "I

Continued on Back Page
Editorial Comment, Page 24,
Money Markets, Page 29

World chess championship abandoned amid confusion

BY PATRICK COCKBURN IN MOSCOW AND DOMINIC LAWSON IN LONDON

AMID scenes of anger and confusion, the five-month world chess championship match in Moscow between Mr Anatoly Karpov, the champion, and Mr Gary Kasparov, the challenger, was ended yesterday by the president of the World Chess Federation who said a new match would start on September 1.

Mr Florencio Campomanes, the federation president, said that after 48 games, of which 40 were drawn, the match had become "a test, not of chess skill but physical endurance." He said everybody, players and officials, was exhausted by the marathon.

Mr Campomanes was asked whether Mr Karpov had had a mental breakdown because of the strain of the match. At that moment, the champion appeared at the press conference, looking pale and tense. "You see that reports of my death have been exaggerated," Mr Karpov said, adding that he was willing to continue the match.

Mr Kasparov was behind by five games to three before the championship was abandoned. He also said there was no reason why the match should end.

After discussion with Mr Campomanes, however, both players later agreed to abandon the match.

The weird denoument of the marathon struggle between two of the Soviet Union's most respected citizens represent only the latest in a series of bizarre episodes in the history of the world chess championship.

In Mr Karpov's successful defence of his title in 1978 against Mr Viktor Korchnoi, the Soviet defector, the challenger accused Mr Karpov of receiving advice through deliveries of colour-coded yoghourt to the chess board. In 1978 Mr Karpov was accompanied by Dr Zoukhar, a Soviet parapsychologist, who spent the match staring fixedly at Mr Korchnoi, to the latter's extreme discomfiture. Dr Zoukhar has, however, been working for Mr Kasparov in the current match against the champion.

It was the 1972 match between Mr Bobby Fischer of the U.S. and Mr Boris Spassky, then Soviet champion, that first introduced to the wider public the strange ways of chess players at the highest level. The unbalanced U.S. genius has never played a game since he won the title having retired into obscurity somewhere in California.

However, in that match it was Mr Spassky who provided the antics, at one point claiming that Mr Fischer's chair was emitting enervating electronic rays. The offending chair was flown to Moscow, dismantled and subjected to detailed chemical analysis. Alien substances were found inside: two dead flies.

The first officially recognised world chess champion, The Austrian Herr Welhelm Steinitz, died convinced he could move chess pieces by the emission of electronic impulses, and that he could beat God at chess, even conceding Him odds of pawn and move.

For Mr Campomanes, the job of President of the Federation International des Echecs must appear increasingly undesirable.

Mr Campomanes had flown into Moscow from Dubai, in the United Arab Emirates, where he had been attempting to intercede between the Arab world and Israel.

The UAE is to hold the 1986 Chess Ol[illegible]paid, but has said it will n[illegible] give any mtmbers

Continued on Back Page

MARKETS

DOLLAR

New York lunchtime:
DM 3.26675
FFr 10.0025
SwFr 2.778
Y256.9

London:
DM 3.265 (3.287)
FFr 10.005 (10.0675)
SwFr 2.778 (2.798)
Y256.8 (260.45)

Dollar Index: 150.0 (151.0)
Tokyo close: Y259.2

U.S. LUNCHTIME RATES

Fed Funds 8 7/16%
3-month Treasury Bills: 8.16%
Long Bond: 99 11/32
yield: 11.8

GOLD

New York: Comex Feb latest \$304.1
London: \$304.25 (\$304.5)

STERLING

New York lunchtime \$1.104
London: \$1.1035 (1.092)
DM 3.6 (3.5925)
FFr 11.025 (10.985)
SwFr 3.0625 (3.055)
Y283.0 (284.5)
Sterling Index: 71.4 (71.1)

LONDON MONEY

3-month interbank:
Closing rate 13⅞% (13⅞)
3-month eligible bills:
buying rate 13⅜% (13½)

STOCK INDICES

FT Ord 979.9 (—4.8)
FT-A All Share 616.98 (—0.4%)
FT-SE 100 1,281.5 (—8.3)
FT-A long gilt yield index:
High coupon 10.71 (10.81)
New York lunchtime:
DJ Ind Av 1,290.53 (+2.65)
Tokyo:
Nikkei Dow 12,148.29 (+66.6)

Chief price changes yesterday, Back Page

CONTINENTAL SELLING PRICES: Austria Sch 18; Belgium Fr 38; Denmark Kr 7.25; France Fr 6.00; W. Germany DM 2.20; Italy L1,300; Netherlands Fl 2.50; Norway Kr 6.00; Portugal Esc 80; Spain Pta 110; Sweden Kr 6.50; Switzerland Fr 2.20;

CONTENTS

For London market and latest share index 01-246 8026; overseas markets, 01-246 8086.

Mastercard to carry out 'smart' card tests

By David Marsh in Paris

THIS STAGE has been set for a direct tussle in the U.S. between French and Japanese technology over cashless banking systems following the decision yesterday by Mastercard, the U.S.-based international credit card group, to conduct pilot tests this year with the French "smart" electronic banking payment card.

Mr Russell Hogg, president of Mastercard which groups 25,000 banks and 104m cardholders worldwide, announced in Paris tests would start in July with about 50,000 smart cards in the Washington area.

The smart card, invented by a Frenchman in 1974, is a credit-card-size plastic rectangle which contains a one-chip microprocessor and memory.

With the capacity to store and process data, it can be used for a variety of cashless financial and retail transactions as well as to store personal records and control access to buildings and high security installations.

The Washington tests will involve cards and terminals worth about $500,000, and include customers of the Bank of Virginia and the Maryland National Bank.

The cost will be borne by Mastercard and Bull, the French nationalised computer group which is the main manufacturer of the French smart card and has spent around FFr 250m (£22.8m) in development and building up production capacity.

Mastercard will also be carrying out similar tests from the summer onwards in the Florida area, using 50,000 rival smart cards made by Casio of Japan.

The projects would be used to assess customer reaction and technical feasibility of the two systems. Mastercard would draw conclusions from the tests around mid-1986, ahead of any decision to introduce smart cards to all its customers, which could take a further two to four years, Mr Hogg said.

The Mastercard decision comes just a few days after Visa, the rival international credit card group announced it too was making a study of the French system.

Next week, French banks are due to decide on the first large smart card holders for use in banking and retail transactions in four French regions.

Hanoi one step nearer to 'stabilising' Kampuchea

Vietnam's drive to achieve its aims in Kampuchea has serious implications for Peking and the six member-countries of Asean, writes Chris Sherwell, South-East Asia Correspondent.

YESTERDAY's news that Vietnamese troops had effectively overrun Khmer Rouge strongholds in Western Kampuchea brings Hanoi a dramatic step nearer achieving its immediate objective in the country: to dislodge from Kampuchean soil all forces opposed to the Heng Samrin régime, which it installed in Phnom Penh six years ago.

If that aim is achieved, it will have serious implications not only for the fragile tripartite resistance coalition, of which the Khmer Rouge is the most powerful component, but also for its backers in Peking and in the six non-Communist countries of the Association of South-East Asian Nations (Asean).

Matters do not appear to have reached this stage yet. Although some Khmer Rouge soldiers are reported to be retreating across the Thai border, other units are said to have moved deeper into Kampuchea to harrass the estimated 170,000 Vietnamese troops in the country, cut their supply lines, and sabotage their installations.

As Gen Arthit Kamlang-ek, the Thai military chief, pointed out yesterday, the loss of territory does not signal defeat in guerrilla warfare. More fighting thus seems certain, and Thailand's already large refugee problem will grow.

But the immediate position has undoubtedly changed significantly. The abandonment of positions by the Khmer Rouge, who number 30,000 soldiers, is the second Vietnamese military success in their current dry-season offensive, which has been the fiercest yet.

Earlier, camps belonging to the 12,000-strong Khmer People's National Liberation Front were overrun.

The military vulnerability of the resistance coalition has thus been cruelly exposed, to the certain disappointment of both Asean and China.

This in turn could mean that the three partners will find it harder rather than easier to overcome the deep strains which have long kept them distant from each other.

For Peking, the pressure to intervene in support of the Khmer Rouge, as it did with its assault on Vietnam's northern provinces in 1979, is now greater than ever.

Prince Norodom Sihanouk, the former Kampuchean head of state who heads the coalition's third and smallest group, said recently that Deng Xiaoping, the Chinese leader, promised last year to step in if the coalition desperately needed help.

Earlier this week, he strongly indicated that the time for assistance had arrived.

For Thailand, the "front line" state against the expansion of Soviet-backed Vietnam in Indo-China, the position is now extremely delicate.

Although it has funnelled weapons and other assistance from China and its own allies, the Bangkok Government has found it convenient that the resistance has operated from bases inside Kampuchea.

Now it could face the prospect of Kampuchea launching operations from Thai soil, and the consequent threat of pre-emptive or destabilising attacks by the Vietnamese, which might bring the two sides into direct conflict. Several Vietnamese incursions have already occurred this year.

This in turn means the other Asean countries — Singapore, Malaysia, Indonesia, the Philippines and Brunei—may be forced to step up their support and assistance, and to amplify the appeals for military aid which they made to the international community earlier this week.

That clear shift of public stance appears now to have reflected deep concern about the fate of the resistance.

Kampuchean refugees set up shelters at an evacuation site inside Thailand after the fall of the Khmer Rouge guerrilla HQ near Phnom Malai yesterday

At stake in all this for Asean is its whole strategy since 1979 of trying to punish the Vietnamese for their invasion and occupation of Kampuchea.

This has involved building up the coalition, establishing its political and military credibility, and securing support for it as the legitimate government in the United Nations General Assembly.

The basic aim has been to keep up the military pressure for a political solution — specifically, a phased withdrawal of the Vietnamese under international supervision, national reconciliation, and free elections.

Vietnam, for its part, believes it did Kampuchea and the world a favour by ridding it of the hated Pol Pot régime.

Its refusal to treat with the ousted Khmer Rouge will continue, and even if its rejection of the Asean plan carries no more weight as a result of its successes, it may hope its own counter-proposal will — namely, for an international conference on all aspects of regional security, including the U.S. presence in the Philippines.

The worry for the resistance is that it could now start losing support in the UN, but either way, the diplomatic stalemate seems likely to continue.

In few other regions is the independence of a whole people so transparently at stake. Western countries will thus join Asean, China and the Soviet Union in digesting the potential implications of the latest developments for the balance of power in South-East Asia.

Bishops call for end to campaign in Polish media

By Christopher Bobinski in Warsaw

THE POLISH BISHOPS yesterday demanded that the Government end civil rights abuses by the Interior Ministry and called for a halt to the present media campaign against the church.

The bishops' statement came after a two-day conference. In a separate, unpublished, memorandum to the Government the bishops outline unresolved problems between church and state, including the lack of progress in obtaining official permission for the planned Western church aid to the Polish Agriculture Foundation.

The bishops also protest at attacks on the church, which were admitted during the trial for the murder of Father Jerzy Popieluszko. Four Interior Ministry officials were jailed for the murder.

The bishops also claimed coverage of the trial was slanted in the Polish media. They firmly reiterated the church's right and duty to speak out on public matters, an issue which is contested by the Government in its attacks on the "extra religious" activities of the clergy.

The bishops' statement was issued after the authorities brought charges against three top Solidarity leaders detained last Wednesday at a meeting held in Gdansk to discuss a 15-minute token strike on February 28. Four other Solidarity members at the meeting have been freed.

The three men being charged with conspiring to provoke public disorder are Mr Bogdan Lis, a Solidarity national committee member amnestied last December, Mr Wladyslaw Frasyniuk, a local leader in Wroclaw and Mr Adam Michnik, Warsaw. They face a maximum three-year prison term.

Solidarity leader Mr Lech Walesa, who was not arrested at the meeting, has been summoned for questioning by the Gdansk public prosecutor "as a suspect" on the same charges.

Back Brazil, says IMF chief

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

MR JACQUES de Larosière, managing director of the International Monetary Fund, has taken the unusual step of personally intervening to ask bank lenders not to desert Brazil as a result of current problems with its 1985 programme.

"It is of the utmost importance to ensure that existing financing arrangements—including interbank credit lines and trade financing—are maintained," he said in a telex sent to more than 700 creditor banks worldwide yesterday.

His message came as worries about a resurgence of the developing country debt crisis mounted in the banking system on news that Brazil can receive no more money from the International Monetary Fund until negotiations on a new economic programme for 1985 are completed.

Mr de Larosière's telex, while speaking warmly of Brazil's record to date in adjusting its balance of payments, confirms that problems have arisen because of excessive expansion of the domestic money supply.

"The nature and size of these deviations are not consistent with the agreed programme, and have given rise to a need for a reappraisal of the situation and the formulation of additional policy measures, particularly in the fiscal and monetary areas," it says.

Brazil is currently engaged in "constructive" discussions with the Brazilian authorities, it continues, but further drawings on Brazil's $4bn (£3.6bn) IMF loan facility will only be scheduled once a new programme is agreed.

While some bankers believe that these problems can be ironed out quickly, others argue that the process may now take months rather than weeks.

Meanwhile, there is little worry about Brazil's ability to continue paying interest on its $100bn foreign debt because of its large liquid reserves, estimated at some $7bn.

But the uncertainly generated by this latest disagreement with the IMF has provoked concern about a possible withdrawal of short-term money market lines to Brazilian banks, or even a declaration of default by a maverick creditor seeking repayment of his loans out of Brazil's newly increased reserves.

Industrial production up in U.S.

By Stewart Fleming in Washington

SPURRED BY strong gains in the car, durable goods and defence sectors, industrial production in the U.S. rose a moderate 0.4 per cent in January from its December level, on a seasonally-adjusted basis, the Federal Reserve said.

The increase, a little weaker than some economists had been expecting, nevertheless suggests that the foundation is being laid for the moderate 4-5 per cent rise in real Gross National Product in the first quarter which is being widely predicted.

Separately, there was further encouraging news for the Reagan Administration on the inflation front. Wholesale prices of finished goods in January were unchanged from their December levels.

The Commerce Department said also that prices for intermediate and crude goods fell in January, largely because of falling energy and food prices.

The Fed also reported a $7bn (£6.3bn) gain in the outstanding volume of consumer instalment credit in December.

Reagan alters schedule for European tour

By Our U.S. Editor

PRESIDENT Ronald Reagan has rearranged the schedule for his forthcoming European tour so as not to be in West Germany on the 40th anniversary of VE-Day, May 8, the White House confirmed yesterday. Instead, Mr Reagan is to address the European Parliament in Strasbourg.

White House officials insisted that there were no grounds for creating a controversy over Mr Reagan's change of plans, which will also shorten his trip by two days. It was clear, however, that the White House had come to regard Mr Reagan's original plans to be in West Germany on May 8 as raising potentially sensitive issues that might better be avoided.

The parliament's decision to invite Mr Reagan was reported to have been taken at Washington's instigation. Mr Reagan is to arrive in West Germany on May 1, attend the Western Economic Summit in Bonn on May 2 to 4 and pay an official visit to West Germany on May 5 and 6.

After addressing the European Parliament, he will travel to Spain and Portugal and return to the U.S. on May 10.

Bank of Greece to start dealing in Treasury bills

BY ANDRIANA IERODIACONOU IN ATHENS

THE Bank of Greece is to begin dealing in marketable Treasury bills for the first time in April.

The innovation was announced yesterday by Mr Gerassimos Arsenis, the Greek Economy and Finance Minister, who said it was designed to inject life into the "rudimentary Greek money market."

The full details of dealing have yet to be disclosed by the bank, but Mr Arsenis said tenders will be invited from the private sector, including individual investors.

Buyers will be able to select between three months, six months, and 12-month bills at interest rates of 17 per cent, 17.5 per cent and 18.5 per cent, respectively.

The lowest nominal value will be Dr 100,000 (£684). Twenty-four month bills will also be available, for which the interest rate is still to be decided. According to the minister, it will be higher than the 1985 projected inflation rate of 16 per cent.

Unveiling the Government's credit policy for 1985, the minister predicted an increase of 18 per cent in private-sector financing, the same as last year, with the emphasis on agriculture and housing.

The increase in public-sector financing is expected to go down to 27 per cent from 32.8 per cent last year. It is hoped to bring the gross public sector borrowing requirement down from 15.7 per cent of gross domestic product in 1984 to 14.2 per cent this year.

According to Mr Arsenis, the Government is counting on a 22 per cent rise in private deposits this year to be able to keep foreign borrowing down to 1984 levels—roughly $2bn (£1.8bn).

Private deposits increased by 30.9 per cent in 1984, reflecting a decision by the Government to increase interest rates to levels higher than inflation.

Greece's overall foreign debt, including short-term credits and defence borrowing is estimated at around $14bn.

The minister denied that the Government is financing the public sector in preference to the private and said funds set aside for the private sector last year were not used. This is ascribed to the stagnation of investments in Greece.

Plan to remove bases

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

THE U.S. was yesterday reported to be making contingency plans to remove its four military bases from Greece by 1988, if Dr Andreas Papandreou, the country's Socialist Prime Minister, wins this year's elections.

The Pentagon and the State Department, however, appeared to disagree over how hard to press the issue with Athens in the immediate future.

The Pentagon was said to favour issuing a public warning that Washington would reassess its overall relations with Greece if Dr Papandreou continues his hostile attitude towards the U.S.

The suggestion would be that it might be better to transfer the bases to Greece's arch-enemy, Turkey.

State Department officials, on the other hand, were said to believe that it would be wiser to maintain a low profile on the issue.

Italian MPs battle over final stage of tax Bill

BY JAMES BUXTON IN ROME

ITALIAN Government and opposition MPs were last night locked in a bitter fight over a controversial measure of the Craxi Government to make Italian shopkeepers and small businessmen pay more tax.

The measure, having failed to get through parliament before Christmas, was put into effect from January 1 by government decree. The decree, however, has to be ratified by parliament by tomorrow midnight, or it will expire.

The government has already had to attach a vote of confidence to the measure to ease it through the final stages of approval by the Chamber of Deputies, the lower house.

The vote was won by a comfortable majority but another vote of confidence may be necessary to overcome obstructive opposition tactics on the neo-fascist Italian Social Movement, which is campaigning on behalf of shopkeepers.

The measure gives tax inspectors powers to make assumptions about the profits of small businessmen who are notorious for the extent of their tax evasion.

It also closes a number of loopholes in the taxation of family companies and simplifies the structure of Value Added Tax in a way which will produce extra revenue for the Government.

Prices soar on Hong Kong stock markets

SHARE PRICES soared on Hong Kong's four stock markets yesterday, lifting the leading Hang Seng Index by 51.54 points to a three-year high of 1,405.93, writes David Dodwell in Hong Kong.

Speculative interest in Wheelock Marden, which received a HK$1.9bn (£222m) bid on Thursday, boosted turnover to HK$709m — the largets volume of daily business since the middle of 1981.

The bid for Wheelock, from Tan Sri Khoo Teck Puat, the Malaysian financier with substantial business interests in Singapore, Australia and Brunei, brought to life a stock market poised to go to sleep ahead of Chinese New Year festivities.

A bid for Wheelock was not unexpected. Mr John Cheung, the company's biggest shareholder with voting control over more than 30 per cent of Wheelock's shares, has not indicated that he will accept the bid, fuelling expectations of a struggle for control.

Textile aid threat

Britain has two months to tell the European Commission how it is unravelling a £20m scheme to subsidise the clothing, footwear, knitting and textile industries, writes Paul Cheeseright in Brussels.

The Commission yesterday confirmed it would not permit the scheme, on the grounds that the productivity and efficiency of the industry has increased. To allow the aid would damage the competitive position of other EEC producers, it said.

Israel inflation

Israel's consumer prices rose by 5.3 per cent in January, according to the Central Bureau of Statistics, but inflation is expected to return to double figures by the end of this month.

January was the last month of the hard-won agreement virtually freezing prices over a range of goods as well as wages. The deal sharply reduced inflation which for the 12 months ending last December ran at 448 per cent

Oil glut 'undermining' fuel efficiency aims

BY JOHN GRIFFITHS

CONCERN THAT the oil glut is undermining the determination of the motor industry and governments to seek further improvements in fuel consumption is being voiced by the 21-nation International Energy Agency.

The agency, whose membership covers all the major vehicle-producing countries, says in a new report* that in the 10 years to 1982 petrol consumption rose by only 5.9 per cent in IEA countries, despite a 34.7 per cent increase in the number of vehicle. But, calling for a renewed effort to improve fuel efficiency further, it warns: "Already now there is a continued or renewed shift in consumer demand towards larger and more powerful cars in member countries."

The study says that fuel consumption in IEA countries peaked in 1978 at 645m litres. However, the trend towards less fuel consumption since 1980 has recently been reversed as a result of the easier oil market, rising incomes and declining consumer interest in fuel efficiency.

Although today's bigger cars are more fuel efficient than the equivalent models of five years ago, some of the targets for fuel consumption set out in formal programmes by nine countries—the UK, Canada, West Germany, Italy, Japan, Spain, the U.S., Australia and Sweden—are in danger of being missed, says the agency.

During the overall survey period, the average annual petrol consumption per passenger car in IEA countries fell by 21.4 per cent through a combination of improved fuel efficiency, a trend towards smaller cars and changes in motoring habits.

The IEA says that "every plausible scenario" for the future suggests that oil demand for passenger cars will continue to increase, at a likely rate of between 0.9 and 2.9 per cent a year up to 1990.

This means that cars would account for between 29 and 34 per cent of total final oil consumption projected by IEA states.

* "Fuel Efficiency of Passenger Cars," International Energy Agency, Chateau de la Muette, 2 rue André-Pascal, 75775 Paris.

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Higher unit trust fees approved

By George Graham

UNIT TRUST managers have been given permission to charge much higher fees to investors using monthly savings plans, rather than buying units with lump sums.

The Department of Trade and Industry has approved new rules covering monthly savings plans, following a decision by the Unit Trust Association last year allowing members to pay higher commissions to insurance brokers and other financial agents.

Unit trust groups may now pay commission of up to 20 per cent of the first year's contributions to a monthly savings scheme, and renewal commission when schemes are continued for more than five years.

This follows the abolition of life assurance premium relief in last year's Budget, which placed unit trust savings schemes in direct competition with insurance companies' saving plans.

Direct investment in unit trusts is now in most cases more tax efficient than investing in insurance-linked plans, but some unit trust companies feared brokers would not market their products unless they were paid comparable commission.

The rules do not mean all unit trust monthly savings plans will carry higher charges. Many managers have said they will not adopt the increased charges now permitted.

Only GT Unit Managers has so far embraced the new formula. Its new savings plan will pay brokers the maximum 20 per cent commission permitted.

The first three monthly payments an investor makes will not buy units but will go to the managers. However, after a year of payments, contributions receive a bonus of 2 per cent extra units.

Mr Jonathan Custance Baker, GT's marketing director, said it was unrealistic to compare his company's plan with schemes that did not pay commission or charge as much. It would be sold in competition with insurance company plans which still paid far higher commission.

Some brokers have offered to pass the 20 per cent commission back to their clients. Other unit trust groups have introduced plans giving bonus units for regular savers, but without deducting the first three months' payments.

Arbuthnot Portfolio Trust

THE High Court ruling referred to yesterday in an article about the Arbuthnot Portfolio Trust does not affect the trust's legal status as an authorised unit trust approved by the Department of Trade and Industry.

The ruling referred only to the tax treatment of switches between portfolios within the fund.

Investors in the trust will continue to enjoy switching concessions, but they will not be entitled to exemption from capital gains tax and stamp tax on conversions between portfolios.

Labour maintains Ponting pressure

BY JOHN HUNT

MR ROY HATTERSLEY, Deputy Leader of the Labour Party, kept up pressure on the Government last night over the Clive Ponting affair.

He predicted that ministers "who have misled the House of Commons" will inevitably have to resign or be sacked as a result of public disquiet.

He did not mention names but his comment was taken as a reference to Mr Michael Heseltine, Defence Secretary, and Mr John Stanley, Minister for the Armed Forces.

"Resignation is in the air and I believe that the demand for the dismissal of ministers who have misled the House of Commons is certain to grow," he told a Labour Party rally in Stoke.

Meanwhile, Mrs Thatcher, the Prime Minister, who is determined not to let the matter drop, sent another letter to Mr Neil Kinnock, the Labour leader.

She complained that Mr Kinnock was still trying to make a distinction between the decision on August 17 by law officers to prosecute Mr Ponting and the period leading up to the decision.

She repeated that ministers were not involved at any stage in the law officers' decision, nor did they seek to influence it directly or indirectly by any of the means implied in the 16 questions attached to Mr Kinnock's previous letter.

Sir Ewen Broadbent, former second permanent secretary at the Ministry of Defence, strongly denied yesterday that Mr Ponting had been offered immunity from prosecution if he would resign his post.

He said that he had informed Mr Heseltine that the matter was in the hands of the law officers and Mr Heseltine had said that, in his own personal opinion, Mr Ponting should be prosecuted under the Official Secrets Act.

Mr Roy Hattersley: stressed public disquiet

In a detailed account of the case on BBC Radio's The World At One, Sir Ewen said that on Friday August 10, seven days before the final decision to prosecute Mr Ponting, a Ministry of Defence police officer told him what stage the inquiry had reached.

Later that afternoon, he was told Mr Ponting had written out a confession. He was assured by Mr Richard Hastie-Smith, head of personnel, and by the Chief Inspector of Defence Ministry police, that there had been "no bargain struck" with Mr Ponting.

Kevin Brown writes: The Government was last night facing a series of difficult decisions on emotive ethical issues after MPs voted overwhelmingly to ban scientific experiments with human embryos.

The Unborn Children (Protection) Bill, introduced by Mr Enoch Powell, the Official Unionist MP for South Down, was given a second reading vote of 238 to 66—a majority of 172—despite opposition from senior Health Department Ministers.

Provisions for appeal tribunal in phone tapping Bill

BY JOHN HUNT

PROVISIONS FOR an appeal tribunal able to award compensation to people who prove that the Home Secretary has wrongly authorised the tapping of their telephones are contained in the Interception of Communications Bill, published yesterday.

The Bill sets out a statutory framework for authorising ception.

phone tapping, including safeguards against improper inter-

It would bring Britain into line with judgments of the European Court of Human Rights and is expected to have its Second Reading in the Commons in two weeks.

The appeals tribunal would consist of five legally qualified whether the Home Secretary had exercised correctly his powers in issuing a phone-tapping warrant. If it decided he had exceeded them, it would quash the warrant, order the destruction of intercepted material and award compensation.

The tribunal would not deal with cases where a warrant had not been issued. Such interceptions would be a criminal offence dealt with by the usual courts.

A commissioner would be appointed to review the working of the system and to keep an eye on the way the Home Secretary exercised his powers.

Textile aid veto blow to industry

By Anthony Moreton, Textiles Correspondent

THE European Commission's decision to veto Britain's £20m aid scheme for the textiles, clothing and footwear sectors was described as "extremely disappointing" by the industries in London yesterday.

The British Textile Confederation, the British Clothing Industry Association and the Knitting Industries Federation said they were "not entirely surprised" at the decision, following the delays in obtaining approval. They would be seeking consultations with the Department of Trade and Industry.

Mr Alec Smith, general secretary of the Tailors' and Garment Workers' Union said: "It is beyond comprehension that the Government coud not have done better. Other member-states have successfully resisted commission intervention."

Unofficially, some industry members share some of Mr Smith's sentiments. There is a feeling that Mr Norman Lamont, Minister at the DTI responsible for textile policy, might have pursued the matter more energetically.

There is also anger that the Commission appears to have changed the rules to Britain's detriment. France, Belgium and Italy all helped their industries before the Commission rewrote the rules.

Grocery distributors agree to merger

BY TONY JACKSON

A grocery group with sales of £1.5bn is to be created from a merger between Landmark and Consort, two independent grocery distributors, in partnership with the Spar consortium.

Forecast turnover for the group is £1.5bn for 1985, comprising £900m in cash and carry trade and £600m in "delivered" trade—supplying direct to retailers.

The move, which does not involve any finance, is claimed to put Spar-Landmark among the leaders of the food distribution industry, along with Argyll, Asda and Dee. The chairman of the enlarged cash and carry organisation will be Mr Roger Millward of Landmark.

The merger amounts to a tightening of a previously loose federation of wholesalers and retailers. Under the Spar system, a wholesaler takes the franchise for an area and allows retailers to trade under the Spar name, taking responsibility for their standards of performance.

These wholesalers belong to either or both of two federations—dealing under the Spar name for the delivered trade to Spar retailers, or under the Consort name for cash and carry.

The merger with the Landmark consortium, which deals only in cash and carry, will create a group owning 78 depots through 46 member companies. In a joint statement, the newly formed group strikes an aggressive note with respect to multiple retailers such as Tesco, Sainsbury and Asda.

"For many yaers now, the grocery multiples have dominated the trade and we believe grossly abused their position with supplier companies," the statement says.

"We ask for the wholehearted support of supplier companies for the independent trade. If they fail to recognise the enormous dangers of the current position, they could end up being own label suppliers to multiples and wholesalers."

Industry analysts yesterday were cautious about the effects of the merger. They pointed out that small retailers suffer by comparison with the multiples not only on price, but also on range of product and presentation. In that context, they felt the price advantages gained through increased purchasing muscle might have limited effect.

Motor rates up at Royal Insurance

By Eric Short

ROYAL INSURANCE Group, a leading UK composite insurance company, yesterday announced new motor insurance rates which will result in increased premiums from next month for the 600,000 motorists on its books. The increases will range between 5 and 12 per cent.

The company last increased its motor rates in May 1983 when it put them up by an average of 7 per cent. The company had hoped to be able to hold its premiums unchanged at least until May, but a rapid rise in the number of claims in the final quarter of last year forced it to bring forward plans for a new method of calculating insurance.

Insurance companies, which incurred a modest rise in the number of motor claims over the first nine months of last year, all report a further increase in claims for the final quarter, with no identifiable reason why.

Royal has taken the opportunity of completely re-rating its motor premium system, including a change to rating by postcode instead of geographical boundaries.

The effect is, generally, that the lower-rated premiums are getting the highest percentage increase.

Thorn EMI plans to reorganise division

BY JASON CRISP

THORN EMI, the conglomerate manufacturing equipment from entertainments to defence, is to undertake a major reorganisation of its information technology division. The move is aimed to rationalise the collection of diverse companies which make up the whole division.

Thorn EMI Information Technology, formed two years ago, is now one of the fastest-growing parts of the group, although it recently announced poor interim results. The division includes a number of old companies which are part of Thorn EMI's engineering businesses together with recent acquisitions such as EPS Consultants.

Activities in Thorn EMI Information Technology range from the sub-contract manufacture of personal computers to commercial and industrial fire and security systems. It is also one of Britain's largest computer software and services groups.

Overall the division has annual sales of £260m, which is a little under 10 per cent of the total for Thorn EMI. But it has grown rapidly through acquisition and boasts an organic growth of 25 per cent—faster than many other parts of Thorn EMI.

Mr Colin Southgate, chief executive of Thorn EMI Information Technology, said that the reorganisation would rationalise into clear separate groups the 14 established businesses which make up the division.

From April 1, Thorn EMI Information Technology will consist of five operating divisions:

1—Protection and Control, which will consist of AFA-Minerva, Thorn EMI Building Appliances and Thorn EMI Building Services. The first two are to be merged to form what is possibly Britain's largest integrated fire protection, security and building control operation. The merger will involve staff cuts.

2—Data Equipment, to include Thorn EMI Datatech and Thorn EMI Datatel. These two companies make computer peripheral equipment and specialise in data storage devices and modems. Datatech has recently become well known for the subcontract manufacture of personal computers, for example for Sinclair Research.

KC four and five...machine 28 includes Software Sciences, the computer software group Thorn EMI bought from BOC several years ago. The division has a turnover of over £30m and specialises in developing software for "real time" applications.

4—Processing Services. This is the computer bureau business and includes Datasolve (also bought from BOC), Computeraid and Computeraid Services, which were started by Thorn EMI. In spite of the difficulties facing computer bureaux, Mr Southgate says the division has grown 25 per cent and is profitable.

5—The business services division includes a number of somewhat disparate groups such as robotics and distribution. It also includes Thorn EMI Computer Software which sells "off the shelf" computer software packages such as those from the recently purchased EPS.

Thorn EMI Information Technology has sales outside the UK of only £60m which it is trying to increase. One of the major areas where it hopes to develop overseas sales is software products—both for mainframe computers and micros.

UK NEWS

N-power 'no threat to coal'

By a Special Correspondent

THE INTRODUCTION to the UK of the pressurised water reactor would not threaten the viability of the coal industry, the Central Electricity Generating Board said yesterday.

Even a large expansion of nuclear power would not mean a significant cut in coal demand until well into the next century, Mr Michael Fitzgerald QC, for the board, said.

He told the inquiry into plans to build a pressurised water reactor at Sizewell, Suffolk, that the CEGB wanted the National Coal Board to be competitive.

The CEGB did not want a "struggling" NCB requiring protection against competition from foreign coal by government subsidy and import regulation.

Mr Fitzgerald, continuing the board's closing submissions, said the CEGB was heavily committed to coal, and would remain so until well into the next century.

World coal prices were expected to rise, and if Sizewell B was built, this would release an extra 2m to 3m tonnes of coal on to the market.

Former owner declines to bid for Yarrow shipyard

BY ANDREW FISHER, SHIPPING CORRESPONDENT

YARROW, the former owner of the Yarrow shipyard on the Clyde which was nationalised in 1977, said yesterday it did not intend to make a bid to repurchase the yard.

The Yarrow company now operates as a marine engineering consultant and manufacturer of control systems.

Yesterday was the final day for bids for the warship yard, which will be sold to the private sector as part of the Government's policy to privatise the naval side of British Shipbuilders.

The prospect of a management buy-out for Yarrow Shipbuilders and the smaller Hall Russell yard in Aberdeen has already disappeared after lack of support from the Yarrow workforce.

Mr Harry Fryer, managing director of Yarrow, which received £6m when the yard was nationalised but has been pressing for much more, said the failure of most of the Yarrow workforce to support the buy-out was one reason his company had decided not to bid.

Like the other warship yards, Yarrow makes a profit. Its present order-book is worth nearly £500m. He thought the workforce would push for higher wages once the yard re-entered the private sector. "They are like a coiled spring," he said.

Mr Harry Fryer: "world shipping is tough"

The company was influenced too by the fact that a Labour Government might, if returned, to power, renationalise the yards. Also, "world shipping is tough, and getting export business would be very hard."

Mr Robert Easton, managing director of the Yarrow yard, said the failure of the buy-out attempt had left him and his colleagues frustrated. The 5,500-strong workforce had "killed the best option available to them."

Barclays Merchant Bank said two weeks ago it was withdrawing its support for the management-employee buy-out after not enough of the labour force voted for the scheme.

Hall Russell, whose workforce backed the buy-out, was linked with Yarrow in the proposal, although merchant bank Lazards is organising the sale of the two yards separately.

TREND OF INDUSTRIAL PROFITS

ANALYSIS OF 107 COMPANIES

PROFITS IN consumer-related industries grew faster than in the capital goods sector, according to an analysis of 107 companies with financial years ending between April 1 and June 30 last year.

That is one of the main conclusions to be drawn from the table below compiled by the sectors used in the daily Financial Times Actuaries indices. Figures are in £m with the previous year's results in brackets.

The table shows that while the 20 capital goods companies showed an average pre-tax profits increase of 14.7 per cent, the 28-strong consumer group recorded an average increase of 37 per cent.

The capital goods group's performance was held back by an 11.6 per cent decline in profits from contracting and construction companies, which partly offset gains of 87 per cent among electronics companies and 76.1 per cent in mechanical engineering group.

In the consumer group, the strongest performances came from newspapers and publishing, with a 90 per cent increase in pre-tax profits, and by health and household products companies, up 45.7 per cent.

The largest dividend increase—200 per cent—was made by the single oil company reporting in the period, followed by a 126.1 per cent rise from the newspaper and publishing companies.

INDUSTRY	No. of Cos.	Turnover (1)	Profits before Int. & Tax (2)	Pre-tax Profits (3)	% chnge	Tax (4)	Earned for Ordinary Dividends (5)	% chnge	Ord. dividends (6)	% chnge	Cash Flow (7)	Net Capital Employed (8)	Net Return on Cap % (9)	Net Current assets (10)
BUILDING MATERIALS	—	— (—)	— (—)	— (—)	—	— (—)	— (—)	—	— (—)	—	— (—)	— (—)	— (—)	— (—)
CONTRACTING, CONSTRUCTION	4	862.4 (743.8)	83.6 (86.2)	60.7 (68.9)	—11.6	15.5 (23.1)	45.2 (45.6)	—0.9	19.0 (17.1)	+11.1	31.4 (33.2)	563.3 (471.9)	14.8 (18.3)	288.5 (264.5)
ELECTRICALS	5	133.3 (126.1)	16.7 (15.6)	15.6 (14.3)	+9.1	5.7 (5.8)	9.8 (8.4)	+16.7	3.7 (3.3)	+12.1	9.0 (7.7)	68.3 (63.1)	24.5 (24.7)	37.2 (34.1)
ELECTRONICS	4	258.3 (179.5)	25.9 (15.3)	23.0 (12.3)	+87.0	8.4 (5.0)	14.6 (7.3)	+100.0	4.0 (2.8)	+42.9	16.5 (9.1)	110.9 (65.5)	23.4 (23.4)	47.0 (25.8)
MECHANICAL ENGINEERING	5	547.4 (568.5)	32.7 (22.4)	24.3 (13.8)	+76.1	9.3 (6.0)	14.6 (7.9)	+84.8	5.8 (5.3)	+9.4	18.1 (13.7)	211.2 (215.7)	15.5 (10.4)	55.6 (56.4)
METALS AND METAL FORMING	—	— (—)	— (—)	— (—)	—	— (—)	— (—)	—	— (—)	—	— (—)	— (—)	— (—)	— (—)
MOTORS	—	— (—)	— (—)	— (—)	—	— (—)	— (—)	—	— (—)	—	— (—)	— (—)	— (—)	— (—)
OTHER INDUSTRIAL MATERIALS	2	28.4 (25.1)	5.9 (3.5)	5.5 (3.3)	+66.7	1.8 (1.0)	3.6 (2.3)	+56.5	1.0 (0.7)	+42.9	3.7 (2.3)	28.7 (24.9)	20.6 (14.1)	6.6 (5.1)
TOTAL CAPITAL GOODS	20	1,829.8 (1,643.1)	164.8 (143.0)	129.1 (112.6)	+14.7	40.7 (40.9)	87.8 (71.5)	+22.8	33.5 (29.2)	+14.7	78.7 (66.0)	982.4 (841.1)	16.8 (17.0)	434.9 (360.1)
BREWERS AND DISTILLERS	5	1,206.1 (1,118.4)	133.6 (115.1)	119.1 (97.4)	+22.3	40.5 (35.3)	76.5 (60.7)	+26.0	34.6 (22.0)	+57.3	60.1 (65.8)	888.5 (782.2)	15.0 (14.7)	157.6 (172.7)
FOOD MANUFACTURING	4	4,172.4 (3,646.2)	115.0 (96.9)	83.1 (61.7)	+34.7	36.4 (15.8)	44.4 (43.7)	+1.6	25.0 (22.4)	+11.6	52.7 (51.8)	652.3 (621.5)	17.6 (15.6)	193.2 (163.7)
FOOD RETAILING	4	3,678.6 (2,892.7)	161.9 (116.1)	155.3 (112.2)	+38.4	63.4 (40.2)	91.7 (71.5)	+28.3	35.5 (26.7)	+33.0	92.2 (72.1)	557.9 (414.3)	29.0 (28.0)	—60.4 (—19.2)
HEALTH AND HOUSEHOLD PRODUCTS	3	1,490.6 (1,501.7)	278.7 (196.3)	264.6 (181.6)	+45.7	86.9 (73.2)	174.5 (106.6)	+63.7	49.2 (34.0)	+44.7	160.2 (104.1)	928.9 (764.1)	30.0 (26.0)	368.0 (302.0)
LEISURE	2	184.2 (146.5)	14.4 (14.7)	11.4 (12.2)	—6.6	3.9 (4.1)	7.5 (8.1)	—7.4	1.6 (1.4)	+14.3	16.6 (15.5)	78.1 (84.7)	18.4 (17.4)	20.0 (2.2)
NEWSPAPERS, PUBLISHING	2	421.3 (393.1)	21.3 (14.2)	20.9 (11.0)	+90.0	7.1 (1.4)	13.8 (9.7)	+42.3	5.2 (2.3)	+126.1	14.2 (12.6)	197.1 (97.1)	10.8 (14.6)	18.5 (8.4)
PACKAGING AND PAPER	1	2,043.0 (1,809.0)	130.4 (101.7)	106.4 (75.5)	+40.9	32.2 (27.9)	73.7 (47.1)	+56.5	19.5 (16.5)	+18.2	100.3 (72.8)	897.8 (852.5)	14.5 (11.9)	262.5 (278.2)
STORES	4	1,637.8 (1,187.8)	98.7 (76.0)	93.1 (69.4)	+34.2	32.0 (27.9)	61.2 (41.6)	+47.1	20.1 (14.3)	+40.6	67.5 (49.1)	496.3 (379.7)	19.9 (20.0)	113.4 (100.1)
TEXTILES	3	159.2 (136.9)	20.2 (16.3)	18.0 (13.2)	+36.3	3.5 (3.2)	14.4 (10.0)	+44.0	3.2 (2.3)	+39.1	15.1 (10.9)	73.4 (69.2)	27.5 (23.6)	30.6 (24.6)
TOBACCOS	—	— (—)	— (—)	— (—)	—	— (—)	— (—)	—	— (—)	—	— (—)	— (—)	— (—)	— (—)
TOTAL CONSUMER GRP ‡	28	14,993.2 (13,631.3)	974.2 (747.3)	871.9 (634.2)	+37.5	305.9 (229.0)	557.7 (399.0)	+40.0	193.9 (141.9)	+36.7	598.9 (454.7)	4,770.3 (4,055.2)	20.4 (18.4)	1,103.4 (1,032.7)
CHEMICALS	2	65.5 (53.8)	5.8 (4.8)	5.4 (4.5)	+20.0	2.4 (1.8)	2.9 (2.6)	+11.5	1.4 (1.1)	+27.3	2.6 (2.5)	26.0 (19.8)	22.3 (24.2)	17.6 (12.4)
OFFICE EQUIPMENT	—	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	—	— (—)	—	— (—)	— (—)	— (—)	— (—)
SHIPPING AND TRANSPORT	—	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
MISCELLANEOUS	3	304.6 (271.2)	26.5 (18.9)	21.5 (12.1)	+77.7	8.4 (3.7)	12.2 (7.5)	+62.7	4.6 (3.3)	+39.4	25.2 (19.2)	125.2 (107.0)	21.2 (17.7)	8.1 (14.2)
TELEPHONE NET WORKS	—	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
TOTAL INDUSTRIAL GRP	53	17,193.1 (14,599.4)	1,171.3 (914.0)	1,027.9 (763.4)	+34.7	357.4 (257.4)	660.6 (480.6)	+37.5	235.4 (175.5)	+33.0	705.3 (542.4)	5,903.9 (5,025.1)	19.8 (18.2)	1,564.0 (1,419.4)
OILS	1	10.3 (3.2)	3.6 (0.5)	2.7 (—)	—	0.6 (—)	2.1 (—)	—	0.3 (0.1)	+200.0	1.9 (0.1)	30.1 (17.6)	12.0 (2.8)	0.2 (0.6)
BANKS	—	— (—)	— (—)	— (—)	—	— (—)	— (—)	—	— (—)	—	— (—)	— (—)	— (—)	— (—)
INSURANCE (LIFE)	—	— (—)	— (—)	— (—)	—	— (—)	— (—)	—	— (—)	—	— (—)	— (—)	— (—)	— (—)
INSURANCE (COMPOSITE)	—	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)
INSURANCE BROKERS	—	— (—)	— (—)	— (—)	—	— (—)	— (—)	—	— (—)	—	— (—)	— (—)	— (—)	— (—)
MERCHANT BANKS	1	— (—)	— (—)	— (—)	— (—)	— (—)	— (—)	—	1.1 (1.1)	—	— (—)	*28.1 *(15.7)	— (—)	17.8 (10.5)
PROPERTY	13	— (—)	85.3 (71.7)	61.8 (50.9)	+21.4	22.8 (17.4)	38.6 (32.9)	+17.3	18.0 (15.9)	+13.2	23.9 (19.8)	959.1 (890.7)	8.9 (8.1)	80.7 (65.6)
OTHER FINANCIAL	4	— (—)	206.5 (80.3)	89.1 (73.5)	+21.2	37.7 (35.2)	35.2 (36.5)	—3.6	17.1 (13.8)	+23.9	43.2 (30.8)	1,082.5 (325.2)	19.1 (24.7)	136.3 (86.8)
TOTAL FINANCIAL GROUP	18	— (—)	291.8 (152.0)	150.9 (124.4)	+21.3	60.5 (52.6)	73.8 (69.4)	+6.3	36.2 (30.8)	+17.5	67.1 (50.6)	†2,041.6 †(1,215.9)	14.3 (12.5)	234.8 (162.9)
INVESTMENT TRUSTS	15	— (—)	51.7 (52.4)	43.4 (40.7)	+6.6	15.6 (15.4)	27.5 (25.0)	+10.0	26.8 (24.4)	+9.8	0.8 (0.7)	1,558.5 (1,409.9)	5.5 (3.7)	46.0 (0.6)
MINING FINANCE	1	1,045.8 (932.0)	142.4 (124.4)	106.0 (88.0)	+19.3	16.2 (34.0)	88.7 (53.8)	+64.9	45.9 (45.8)	+0.2	77.1 (44.0)	1,095.6 (1,009.8)	13.0 (12.3)	55.3 (56.0)
OVERSEAS TRADERS	1	263.6 (275.9)	42.3 (27.1)	31.9 (26.6)	+19.9	15.1 (11.5)	14.1 (13.5)	+4.4	2.4 (2.3)	+4.4	17.8 (16.0)	234.6 (218.3)	18.0 (12.4)	73.7 (68.7)

NOTES ON COMPILATION OF THE TABLE

The classification is that of the Institute and Faculty of Actuaries used in the daily Financial Times—Actuaries Indices.

Col. 1 gives turnover, exclusive of VAT unless otherwise indicated.

Col. 2 gives profits before interest and taxation, that is to say profits after all charges except loan and other interest but before deducting taxation provisions and minority interests.

N.B.—Certain companies, including merchant banks, discount houses, insurance and shipping companies are exempted from disclosing the full information required under the Companies Act 1948.

Col. 3 gives Pre-tax Profits, that is to say profits after all charges including debentures and loan interest but before deducting taxation provision and minority interests.

Col. 4 groups all corporation taxation including Dominion, Colonial and Foreign liability and future tax provisions but excluding adjustments relating to previous years.

Col. 5 gives the net profits accruing on equity capital after meeting—

1—Minority Interests.

2—All prior charges—sinking fund payments, etc. and Preference dividends and

3—Provisions for staff and employees pensions funds where this is a standard annual charge against net revenue.

Col. 6 sets out the net cost of dividend on equity capital.

Col. 7 is the capital generated internally over a year's trading. For the purposes of comparison equity earnings plus depreciation less equity dividends is the recognised method of computing this figure.

Col. 8 constitutes the total net capital employed. This is the total of net fixed assets—excluding intangibles such as goodwill—plus current assets less current liabilities, except bank overdrafts.

* For merchant banks a more realistic figure to quote is the balance-sheet total.

Col. 9 represents the net return on capital employed. Col. 2 as a percentage of Col. 8 provides an indication of average profitability.

† Excluding merchant banks and insurance (life and composite).

Col. 10 net current assets are arrived at by the subtraction of current liabilites and provision from current assets.

‡ Other Consumer Group has been absorbed into other groups.

Cable TV decision imminent

By Raymond Snoddy

THE CABLE AUTHORITY hopes to announce later this month the first five areas where the second round of multi-channel cable television franchises will be advertised.

Mr Jon Davey, director general of the Cable Authority, is confident there are enough potential applicants ready to proceed to justify beginning the second round now.

The Authority asked for expressions of interest from companies wanting to apply for cable frenchises and have had between 30 and 35 replies.

Most, however, are longer term expressions of interest and "less than half" are interested in going ahead immediately.

"We are heartened by the response while recognising that the financial climate at the moment is far from ideal for cable television. We regard that as a short-term problem." Mr Davey said.

Thorn EMI and British Telecom have told the Cable Authority they do not intend to expand their investment in cable during the 1985-86 financial year. Both are already involved in the pilot franchises announced in November 1983, and will be concentrating on consolidating that investment.

The BT decision will have the more serious effect on prospective cable operators. BT is building and leasing cable networks for a number of the pilot franchises and several prospective operators hoped BT would do the same for them.

One problem facing cable is now close to being resolved that of the telecommunications licences, which all cable operators ned to transmit their signals.

A fourth draft has just been produced after months of negotiations and licences may be issued to pilot franchises by the middle of next month.

Mr Tony Whetstone, director-general of the Cable Television Association, said yesterday: "Ninety per cent of people are now happy with 90 per cent of the content of the licence."

In particular, most of the telecommunications obligations will apply only to cable companies offering telephone services and there will be greater flexibility on the rate of construction of cable systems.

● SelecTV and Philips Cable Television this weekend add three new pay television services to the Philips cable system in eastern Northampton. They are Children's Channel, Music Box and Screen Sport.

Owen urges oil output controls to steady price

By Dominic Lawson

BRITAIN SHOULD introduce a policy of production controls over North Sea oil, rather than leave it to the Organisation of Petroleum Exporting Countries to adjust oil production to stabilise world prices, Dr David Owen, leader of the Social Democratic Party said yesterday in Aberdeen.

Dr Owen said the Government has refused to accept that it could take action to stabilise oil prices, adding: "Tragically for our long-term future, no British Government has yet developed a serious oil depletion policy."

This Government's attitude had been to assume that Opec would always perform the task of adjusting production to stabilise the oil price.

"This has left Britain relatively free to have the best of both worlds, to increase North Sea production and maximise revenues irrespective of the effect on the oil price."

He argued that Britain should consider "action over pricing and production levels in concert with other oil producers to steady oil prices."

UK's participation in production controls pioneered by Opec would raise oil prices, because it would reduce the oil supply.

Dr Owen went on to adopt the apparently contradictory line that Britain did not share Opec's interest in high oil prices, and that Britain should consider moving to a spot market related official oil price, as Norway has.

Britain and Norway acting together to steady, "preferably slightly downwards" the market price for oil, would help to avoid a precipitate oil price collapse.

York councils aim to attract businesses

By James McDonald

A £40,000 promotional campaign has been launched by five local authorities in the York area, aimed at attracting business and jobs.

The York Area Economic eveloDpment Unit — supported by Selby, Ryedale, Harrogate, North Yorkshire and York Councils — is placing magazine advertisements to show the area's particular attraction to industrialists. "In pooling our resources, we are giving York a very good chance of countering the unemployment situa-

Trailer manufacturers resigned to the prospect of little growth

John Griffiths on a market in which smaller companies face a bleak future

UK TRAILER manufacturers are entering 1985 resigned to the prospect of virtually no growth for the forseeable future in a market which saw demand plummet in one year—1980—to 5,300 from 18,500 units and which is still bumping along at 7,500-8,000 units a year.

This is in spite of the facts that the proportion of goods moved by road rather than rail has moved up to an estimated 70 per cent and that one of the major issues which had created uncertainty in the industry for nearly a decade—the move to a maximum permissible vehicle weight of 38 tonnes from 32 tonnes—was resolved nearly two years ago.

Throughout the slump, UK manufacturers have watched imports from Continental producers, facing equally sharp fall-offs in their own markets, almost double to 20 per cent.

The cumulative effect is that the industry now appears to be polarising, with the majors — Crane Fruehauf, York Trailer and, to a lesser exent, Craven Tasker—cementing their hold on the UK market.

Smaller manufacturers, engaged in filling specific niches for purpose-built equipment, are increasingly finding themselves crowded out because they cannot compete against low-cost imports or the economies of scale still capable of being employed by larger producers.

Deft footwork by the two largest concerns has averted outright disaster since the slide began, although the problems at York were sufficiently serious for it to lose £4m in 1980 and prompt its Canadian owners to put it up for sale for 12 months before withdrawing it. There were no takers.

After making savage job cuts and other rationalisations, both say they believe that they can live with the market situation aided by conversion work created by the move to 38 tonnes and policies which have been successfully aimed at developing compensatory export business.

Mr Graham Thomson, public affairs manager at Crane Fruehauf's base at Dereham, Norfolk, says that "at best," there is likely to be a small rise on the total 7,500 to 8,000 trailers he estimates were delivered into the UK market last year.

He also suggests that if anything, the UK industry will face even fiercer competition from Continental producers, with a growing element from West Germany as a result of producers there once more turning their attention back to Europe.

Ths follows the collapse of the Middle Eastern markets to which they had given priority on the back of West German truck makers' heavy inroads.

Fruehauf has been taking on more employees in recent months—after cutting its work force from 2,500 to 1,100 and shutting its Oldham plant in the early 1980s.

A key element has been the setting up of infrastrutcure to deal with conversion work on trailers, involving the addition of a third axle to allow 32 tonne tractor-trailer units to be operated at 38 tonnes.

As much as a third of the UK's trailer population of 140,000 has been regarded as offering potential for conversion.

Being part of the major U.S. Crane Fruehauf group with national operations in all the main European markets which makes it the clear EEC market leader certainly gave a valuable underpinning to the U.K. subsidiary throughout the worst of the industry's problems. It was spending well over £1m a year on setting up the branch network.

Mr Thomson suggests that developments like these, together with increasingly stringent legislation relating to technical specifications—"operators can't take chances any more"—and the growing importance of more sophisticated products such as maximised-capacity refrigerated vans, almost inevitably mark the demise of the many smaller companies.

If York Trailer's strategy differs markedly from that of Crane Fruehauf's in the UK, it is in the attention it has been paying to developing different types of exports.

The most notable example is the signing in December of an agreement with the Chinese National Automobile and Industrial Corporation under which the Chinese will manufacture the major components of trailers under licence. In exchange, the Chinese will supply York with components for re-export to other Far East and Australian markets. Other Crane Fruehauf subsidiaries already operate in the zone.

Like Crane Fruehauf, however, Mr Davies acknowledges that York has had "a major fillip" from conversion work in the UK, which has been a significant element in its turnround from total losses of £5.5m in 1981 and 1982 to a small profit in 1983 and a first-half profit in this financial year of £250,000.

With Crane Fruehauf taking an estimated 40 per cent or more of the total UK market and 23 to 24 per cent, it is not difficult to see how smaller makers are being squeezed after imports are taken into account.

York, meanwhile, is seeking closer collaboration with European producers. It already has a venture with Klege of France under which it is assembling a new type of refrigerated trailer, the Thermovan, which has the same internal capacity as an ordinary thin-walled dry goods unit.

With Crane Fruehauf already part of a European network, the already-reduced scope for manouvre of smaller companies appears set to diminish still further.

Exploring niches in the trailer market: G. G. Wilson (Engineering) of Belfast is involved in the production of complete mobile workshops, including beam lifting gear, housed within semi-trailer units

GM offshoot to sell die making plant

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS' Bedford subsidiary is set to sell the loss-making die production plant it intended to close and is likely to save 170 jobs in the process.

Camford Engineering, the quoted concern in which GM has a small shareholding, is to take over the plant in Bedford, provided final details can be ironed out and approval is given by the Departments of Employment and Trade and Industry.

The Bedford plant employs 219 hourly-paid workers and 30 staff. Unions have been told that Camford will retain 156 hourly-paid and 14 staff initially, on the same pay and conditions as they receive from Bedford.

GM has guaranteed to provide 100,000 man hours of work in the first year (about four months), 80,000 hours in the second year and 50,000 in the third.

Camford acquired another GM subsidiary last year, the Stampings Alliance, a Birmingham drop forging company, in exchange for 900,000 Camford shares, representing 4.7 per cent of the issued capital. GM promised to hold the shares for at least five years.

Mr John Gutteridge, Camford's secretary and a main board director, said yesterday that if the deal with GM for the acquisition of the die plant was concluded it would not, at this occasion, be for shares.

Weekly steel output drops in January

BY ANDREW FISHER

UK STEEL output slumped to an average of 257,500 tonnes a week last month, 11.1 per cent below the same month in 1984, latest figures from the industry show.

Production was hit by the relining of a British Steel Corporation blast furnace in South Wales and the fact that BSC plants in Teesside and Sheffield did not start full operations after the Christmas holiday until the second week in January.

The miners' strike did not have any special impact on output last month, but it has held back steel sales to the industry since last March.

The coal mining industry takes nearly a tenth of the country's steel for structures and in equipment and machinery purchases.

Welsh steel output was down to 80,400 tonnes a week last month from 94,000 tonnes a year ago, reflecting the relining at one of the two Llanwern blast furnaces. This began in December, when total UK weekly output averaged 241,500 tonnes, slightly down on the previous year.

January's weekly average output, although well down on the January 1984 weekly average of 289,700 tonnes, was not far short of that for January 1983 (261,700 tonnes).

ECONOMIC DIARY

TOMORROW: Department for National Savings monthly progress report for January. SDP Scottish conference, Perth.

MONDAY: January public sector borrowing requirement. CBI/FT survey for distributive trades (to end January). British Caledonian 1984 results. EEC Foreign Ministers start three-day conference in Brussels—to discuss accession of Spain and Portugal, and issues form European Parliament.

TUESDAY: Fourth quarter preliminary figures for output-based gross domestic product. U.S. and Soviet officals meet for Middle East talks, Vienna. Mrs Thatcher begins three-day visit to U.S.

WEDNESDAY: January cyclical indicators for the UK economy. December provisional figures for average earnings indices; employment, hours and unit wage costs. CBI council meets. Mrs Thatcher meets President Reagan, in Washington, and addresses joint session of Congress. Two-day FT conference opens on automated manufacturing. Intercontinental Hotel, W1.

THURSDAY: Fourth quarter provisional figures of capital expenditure by the manufacturing and service industries; and of manufacturers' and distributors' stocks. Credit Suisse annual results, Zurich. Tate and Lyle annual meeting, London. U.S. fourth quarter revised gross national product estimate. Federation of Swedish Industries, Stockholm, conference on the future of the European economy—speakers include Mr Denis Healey, Dr Pehr Gyllenhammar, chairman of Volvo, Mr Kjell-Olof Feldt, Swedish Finance Minister, and Viscount Etienne Davignon, director, Société Générale de Belgique.

FRIDAY: Publication of January tax and price index; and retail prices index. November figures of sales and orders in the engineering industries. Fourth quarter provisional figures for finished steel consumption and stock changes. Alfa-Laval 1984 results, Stockholm.

Ballot for seamen at centre of coal case

BY DAVID GOODHART, LABOUR STAFF

THE 35 seamen at the centre of a legal bid to break the National Union of Seamen's 11-month block on the movement of coal will be balloted this weekend on whether they support the policy.

In an unusual development in the role of the courts in industrial disputes, the suggestion of a ballot came from a High Court judge yesterday as he adjourned an application from the Stephenson Clarke shipping company for an injunction against NUS leaders. The hearing will resume on Monday

The first legal move to break the coal blockade in the North-east came after the crew of the Pulborough at Blyth in Northumberland refused to open the hatches so that coal for the Central Electricity Generating Board in the South-east could be loaded.

Solicitors acting for Stephenson Clarke informed the NUS that writs were being sought against Mr Jim Slater, the general secretary, and Mr Vince Allison, a full-time official.

The injunction being sought requires the withdrawal of "any instructions or advice given to the crew of the Pulborough not to sail or carry out their duties." It would also cover any other vessel owned or managed by the company.

The Pulborough is one of five ships laid-up at Blyth or Jarrow—in at least two cases since last April—as a result of the NUS action in support of the miners. The action has effectively halted the main seabound movement of coal from the North-east and east Scotland to the Thames-side power stations.

NUS officials believe that after 10 months of "excellent" relations with the CEGB and all the shipping companies involved in coal movement—especially Stephenson Clarke—the decision to go to the courts is politically inspired.

They also believe that the sudden decision reflects growing anxieties about coal stock levels at southern power stations.

The fifth ship to join the North-eastern blockade arrived yesterday from Finland to berth in Jarrow. However in order to take on the furnace coke from the nearby Monkton coke works the co-operation of "teamers" employed by the NCB is required.

Earlier in the week teamers began loading again on the Wilmington but stopped after the intervention of Mr Joe Mills, the Transport and General Workers' Union regional secretary.

The application by Stephenson Clarke—which alleges secondary action—is the third time the NUS has been in court during the miners' strike.

The union argued in court that the closing of pits would directly hit shipping companies and seamen by cutting work. It also questioned why the company has waited so long to end its policy of co-operating with the NUS's position.

Mr Slater will travel to the North-ast today to address the small number of NUS members on the stranded ship. Last night he appeared confident that they would support the action in a ballot.

NUM assets row surfaces in High Court hearing

THE RIFT between the receiver and sequestrators of the assets of the National Union of Mineworkers about which of them is legally entitled to the union's money finally came out into the open in the High Court yesterday.

Mr Justice Nicholls will give judgment on Monday on a bid by the receiver, Mr Michael a senior partner in Arthur Young, to have the sequestration ended or suspended.

By the end of yesterday's hearing it was clear that Mr Arnold would be satisfied to have the sequestration order stayed or, as he expressed it to the Financial Times last week, to have the sequestrators "put on the back burner," leaving him to gather in the union's funds.

His application was forcefully opposed by the sequestrators, four partners in Price, Waterhouse, who argued that Mr Arnold was accountable to them and not, as he contended, only to the judge who appointed him.

Mr Peter Cresswell, QC, for Mr Arnold, said yesterday that payment of a £200,000 contempt of court fine, coupled with the costs to date of the sequestration and receivership, had already cost the union about £650,000.

Continuation of the sequestration would be an unnecessary duplication of costs.

Mr Cresswell, who accepted that Mr Arnold could not purge the union's contempt, said he was not trying to let the union's leaders "off the hook." They, and not the union's funds, or innocent miners, should be made accountable for the contempt, he said.

Mr Cresswell said that the receiver had been told in "one foreign jurisdiction" that if the sequestration were ended, he would be likely to get hold of NUM money transferred there without going to court.

That was a reference to about £500,000 of NUM funds in an account with EBC (Schweiz), a Zurich bank.

Mr Creswell also told Mr Arnold was considering legal action against certain English banks "for participating, with knowledge, in a breach of trust resulting in substantial losses

Mr Cresswell said that Mr Arnold had invested £4m of the £4.9m he had recovered from abroad in an interest bearing account at market rates in England.

It was backing an indemnity given by English insurers which would be released if the deposed NUM trustees and the former signatories to a union account in a Luxembourg bank acknowledged that they had no claim against "a certain foreign party."

That was a reference to funds the union put in Nobis-Finanz International, from whose parent company Mr Arnold recovered the money.

Mr Arnold had also set aside £400,000 to cover the eventual costs of sequestration — currently estimated at £300,00 — and £190,000 for his own costs which, to date, were approaching £150,000.

Mr Howard Page, for the sequestrators, said that the sequestration could only be ended by the NUM leaders purging the union's contempt, which was continuing.

He said the sequestrators had many matters still to deal with — including an investigation of the circumstances in which NUM funds had been sent abroad, and the extent to which that might have been done "with the benefit of professional banking or legal advice."

Bus staff turn down 4.5% offer

UNION LEADERS representing about 45,000 bus workers, mostly employees of subsidiaries of the National Bus Company, have rejected a pay offer of 4.5 per cent.

Mr Bill Morris, the Transport and General Workers' Union's national secretary for passenger services, warned yesterday that the bus workers could line up with other public sector groups planning industrial action over pay.

He said: "We will certainly be looking to forge alliances with other public sector workers, particularly now that the local authority manual workers have rejected 4.75 per cent."

The 4.5 per cent offer followed earlier offers to the bus staff of 3.25 per cent and 4 per cent. It applies to all manual workers covered by the National Council for the Omnibus Industry, including 38,000 employees of National Bus Company subsidiaries.

Current basic weekly wage rates give a crew driver, who does not take fares, £66.70, and a driver of a one-man operated vehicle £94. However, the employers say that nobody receives this little and that average earnings are about £150.

Further talks are scheduled for March 18 and the unions will be looking at least to match the 4.75 per cent offered in separate negotiations to about 13,000 bus workers employed by provincial local authorities.

Acas talks begin on strike in Irish banks

BY DAVID BRINDLE, LABOUR STAFF

TALKS AIMED at ending a week-long strike by staff of Irish banks in Britain were taking place last night at the London headquarters of the conciliation service Acas.

The strike, over a disputed 1984 pay offer, has closed about one in three of the British high street branches of the Bank of Ireland and Allied Irish Banks and has curtailed services at the rest.

The banks' UK staff, mostly members of the Irish Bank Officers' Association, were offered a 5.25 per cent rise from June 1 last year in line with the increase paid by the main English clearing banks. The offer was accepted by staff in Northern Ireland, but rejected by ballot by those in the rest of the UK.

A series of one-day strikes was called by the IBOA, culminating in an indefinite stoppage from last Monday.

Allied Irish Banks said yesterday that about one-third of the staff in its British domestic and retail division was working normally. Twelve of its 35 high street branches were closed to customers, but were able to continue some business. Other branches were only partly affected.

The impact of the dispute on the Bank of Ireland, which has some 24 high street branches in Britain, was believed to be broadly the same.

It was thought last night that talks under the auspices of Acas would continue through the weekend if necessary.

The employers said that Acas had mediated earlier in the dispute, and had endorsed the 5.25 per cent pay offer as par for the banking sector as a whole.

Sinclair C5 deal agreed

BY OUR LABOUR STAFF

WORKERS who assemble the Sinclair C5 electric tricycle have voted to accept a 4 per cent pay offer and end a two-month overtime ban which has hit production.

The vehicles are assembled by Hoover at Merthyr Tydfil, South Wales. In a secret ballot yesterday, the 1,700 shopfloor workers accepted the wage deal and a £10m investment package which will modernise the factory but could lead to up to 500 job losses.

Unions hope some jobs can be transferred to Sinclair assembly, which employs about 100 people.

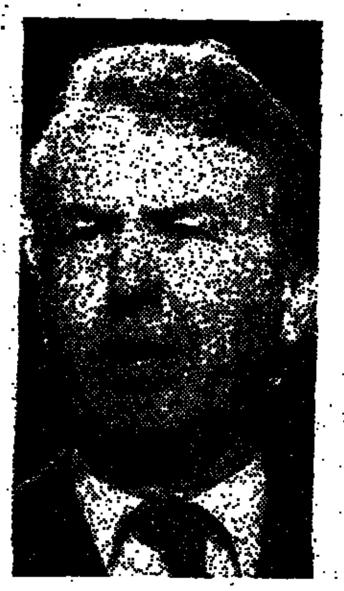
Pickets in Yorkshire defy court injunction

BY OUR LABOUR CORRESPONDENT

EXTRA POLICE had to be called in to three pits in Yorkshire yesterday when 50 pickets turned up in defiance of a High Court order limiting to six the number of pickets at seven named pits in the area.

Under the terms of an offer made by the police only two officers were on duty at each of the seven collieries following the decision by Yorkshire miners' leaders to comply with the High Court injunction.

Even though extra police had to be drafted in to pits at Dinnington, Maltby and Rossington, where bricks were thrown and a park bench hurled in front of working miners' coaches, the police said the first day of their new approach had been "not bad at all," and said they would continue the low key tactic.



Peter Walker: Unions spurn mob violence

● Mr Peter Walker, Energy Secretary, said yesterday that the "most important factor" of the coal dispute had been the way the trade union movement had turned its back on the "mob violence of the picket line."

He told the annual Newspaper Conference lunch in London: "The trade union movement, with all its understanding, emotion and sympathy for a great union like the NUM, decided, looking at the scenes of violence and the failure to have a ballot, not to intervene and line up in this dispute."

● British Rail estimates that its freight business has lost a total of £225m as a result of the strike.

Mr Bob Reid, British Rail chairman, said last month that the strike was costing BR £5m a month. He warned that BR had lost some freight business permanently to road hauliers. The amount that has been lost irretrievably is thought to be worth about £25m a year.

Pit closures 'entail compulsory job losses'

BY PHILIP BASSETT, LABOUR CORRESPONDENT

LARGE-SCALE pit closures cannot be achieved without compulsory redundancy, according to an academic study on the economics of coal production.

The study, by four academics based at Aberystwyth University and Middlesex Polytechnic, does not accept the assurances given throughout the miners' strike by the National Coal Board and the Government that all redundancies will be voluntary.

It concludes that "sacked miners will go into the dole queue and many of them will probably never work again."

The report is broadly in line with the arguments against pit closures advanced by the National Union of Mineworkers. Its main points are:

● NCB investment strategy is maintaining and intensifying a crisis of over-capacity;

● The NCB's unit cost per tonne of calculation is inadequate in identifying high cost pits because it systematically understates the cost of capital intensive pits. To compensate for this, the authors suggest adding an extra £3.41 per tonne overall, with a high and low of £15 and £5 a tonne respectively.

● Closure of pits in the peripheral coalfields does not guarantee a return to profitability for the NCB, because the authors argue that capital-intensive "super pits," such as Selby, in Yorkshire, are a high risk option.

Aberystwyth Report on Coal, by Tony Cutler, Colin Haslam, John Williams and Karel Williams. Economic History Department, University College of Wales, Aberystwyth. £2.50.

S. Yorkshire staff vote to boycott abolition of council

BY OUR LABOUR STAFF

WHITE-COLLAR staff employed by South Yorkshire County Council have voted to reinforce their policy of non co-operation with plans for abolition of the authority next year.

A meeting of almost 500 members of the 2,400-strong branch of the National and Local Government Officers' Association threw out a move to open negotiations with the Government on terms for redundancy and staff transfer.

The vote at the meeting, the biggest held by the branch, has shored-up Nalgo's national boycott of arrangements for abolition of the metropolitan county councils. The boycott has been unrer threat since the West Midlands County Council branch broke away and called for immediate talks with the Government.

It looks increasingly likely that a conference on February 27 of Nalgo delegates from all the threatened councils will reaffirm and strengthen the boycott, which may succeed in holding up abolition procedures.

The South Yorkshire branch agreed to take industrial action in the event of any member being disciplined or prosecuted for not undertaking work related to abolition. It also warned of escalated action if the abolition Bill is passed by Parliament — although talks with the Government are likely at that point.

The branch will meanwhile call for the Bill to be amended so that it does not, as at present, invalidate the South Yorkshire county's local enhanced staff severance scheme on the grounds that it was introduced after March, 1984.

THE WEEK IN THE MARKETS

Aggressive bids and rights issues

LONDON

ONLOOKER

WHILE MOST equity investors seemed happy enough to sit on their hands this week the action was being generated by the corporate sector in the shape of a couple of large rights issues and two major bids. The only day that the market moved with any real conviction was Tuesday when the All-Share Index fell 1.5 per cent as sterling slid to $1.088 and Standard Telephone and Cables launched an unwelcome rights issue.

Even Cazenove, which has an enviable reputation when it comes to placing power, had to pull out the stops to get STC underwritten. That probably says more about the group than it does about the market generally though possibly it is an indicator of the cracks which are appearing in the City's confidence.

With STC and then Tricentrol later in the week calling for £45m of its shareholders' money (yet again), the total raised so far this year by rights issues is over £500m. That compares with about £1.4bn for the whole of 1984. Assuming that the results season will contain a fair sprinkling of further cash calls the equity sector has little reason to move forward again.

Prices already look high enough—too high against gilts—and companies issuing paper here, there and everywhere are hardly going to encourage the market forward. The privatisation programme is already set to tap £4bn or so from institutional purses.

Meanwhile, Ward White popped up with a £91m offer for Foster Brothers Clothing and Dee returned to battle with Booker McConnell in an "eleventh hour" bid on Wednesday evening. Under the rules of the Takeover Code Dee had three weeks to make a bid for Booker after the Monopolies report or stand aside until the summer. That deadline was Wednesday night and at 7.00 it launched its terms.

The City is still unconvinced about Dee's resolve, however. It sold some Booker shares ahead of the £328m bid and it has made it plain that it may sell more. And the terms value Booker at its market price — there is no premium in the offer. To confuse the issue even further its public statements about selling shares are going to make it very difficult to improve on the terms under the Code's new rules.

Unwelcome call

The STC rights issue is straining the goodwill of its shareholders to the limit. Following on from last year's £411m takeover of ICL the group's standing in the City has slid further and further downhill. The issue, a one for five call at 190p a share, just about finished off any sympathy that was left. The shares immediately collapsed to within a few pence of the rights price and it looks as if those reluctant underwriters Cazenove has got on board may have to work for their fees.

Yet despite having to come cap in hand to its shareholders STC had very little in the way of good news on the trading front to offer as consolation. Estimated profits for the enlarged group in calendar '84 are put at £140m — that is only ahead of the previous 12 months by dint of a small extraordinary credit.

It is a disappointing outcome and this year is not going to be much better by the sound of it. Sir Kenneth Corfield's statement describes 1985 as a year of "consolidation." Everybody knows what that means and tentative forecasts for this year must assume unchanged profits. Despite encouraging words about 1986, shareholders are likely to remain sceptical about long-range predictions from the electronics sector.

Even worse than the profits performance is the rapid deterioration in the balance-sheet. At the beginning of 1983 it showed capital gearing of around 6 per cent. Now shareholders' funds of £400m are supporting debt of around £360m. One thing is for certain—STC undoubtedly needs to refinance its business. The alternative would be, according to Sir Kenneth, to let R and D spending suffer which would scotch his plans to put the group at the forefront of technology for the electronic office.

Yet if the need for fresh equity is proven, why on earth did the group wait till now to launch the issue? The share price has been underperforming the market for months and now the whole sector is out of favour. STC will have its work cut out to regain friends but at least the shares have something positive going for them—a 7 per cent yield. It is hard to see what else would attract an investor at present.

Dalgety's interim

The income conscious have presumably already placed Dalgety on their lists. Although the group held its interim dividend at 11p this week the directors will probably be more generous come the year end. The prospective yield is somewhere between 7½ and 8 per cent but, unlike STC, Dalgety can offer investors the prospect of steady profits growth in the near term.

In the first six months to December pre-tax profits crept ahead by 6 per cent to £33.2m including a little help from translation gains. A subdued performance perhaps, but Dalgety has its own period of "consolidation" and anyway the group has faced a number of difficulties in key activities.

In the UK its animal feeds business was caught out by a drop in demand for cattle foodstuffs following the EEC quotas limiting milk production. Slack demand from brewers and distillers has not helped Dalgety's malt activities and overseas poor housing starts in the U.S. inevitably resulted in a dull performance from Canadian lumber.

On the plus side both milling and pet foods turned in good performances in the UK though the brightest spot has undoubtedly been Martin Brower which is a U.S. supplier and distributor for the fast food chain, McDonald's. Its volume shot up by 23 per cent during the period.

For the full year Dalgety could make around £72m to £73m pre-tax against £67m. Although the shares have perked up a little of late, over the past year they have underperformed the market by around 16 per cent. The prospective p/e is now less than 9 — about three points below the sector average.

Bid for Foster

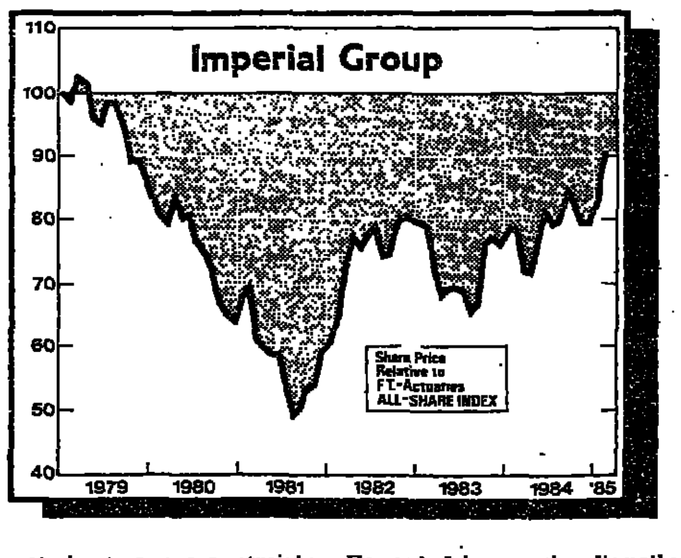
Ward White's equity offer for Foster Brothers is no more welcome by the defence than Dee's pursuit of Booker but it is at least a more straightforward attack.

Ward has established itself as one of the more aggressively minded retailers of the age. Its operations span the UK, U.S. and Scandinavia with some 900 outlets in all, two-thirds of them in the UK. Foster in contrast has a rather downbeat image in the City and its recent profits performance has been restrained by the cost of a substantial refurbishment scheme. Ward clearly sees an opportunity to exploit that effort before Foster's shareholders get a chance. If Ward could land Foster it would virtually double its UK sales space to over 2m square feet.

On the face of it the bid seems reasonable value. Assuming unchanged profits of £7m to the end of this month, the exit multiple is 18 and the premium to net asset value is over 40 per cent. However, a large part of Foster's property portfolio has not been revalued since 1974 so Ward's numbers are not quite as generous as they may at first appear.

Conceivably Ward may have to add a little sweetener to its terms although the bidder is already most of the way there and institutional investors seem likely to back Ward management rather than Foster. However a bid of this size, so soon after buying Halfords, must raise some doubts over the management's ability to keep pace with acquisitions and if successful Ward White shares could be due for a dull run.

All eyes on HoJo



Two features were behind the recent strength of Imperial Group's shares and neither had anything to do with the full year figures out on Thursday. The market had been hoping for a definitive statement over the future of Howard Johnson, the dismally performing U.S. business. Also bid rumours, which have circulated around the group for 18 months or more, have gained fresh momentum and there is clear evidence of some American buying.

The market was left disappointed on the first count. The preliminary announcement contained little fresh on the future of HoJo other than a statement by Mr Geoffrey Kent, chairman and chief executive, that the group was considering all the options. Evidently 23 parties have expressed a serious interest in buying HoJo but a sale of the hotel and restaurant business is by no means a foregone conclusion.

As far as the market is concerned Imps would be better off without it—a fair enough view given that a sale would almost certainly improve earnings and give Imps enough cash to tackle a more rewarding acquisition. One way or another a decision can be expected fairly soon, though if HoJo remains within the fold the shares are bound to take a knock.

As for a bid for Imps itself that seems a little unlikely. The two U.S. candidates oft mentioned are R. J. Reynolds and Philip Morris. Yet surely both of those have enough mature activities in their portfolios without buying a UK version of themselves. Another suggested suitor is Hanson Trust. Nothing could be ruled out there, but Imps' market capitalisation of £1.4bn makes it a big bite for anybody.

Assuming profits of close to £240m this year (including HoJo) the prospective p/e is around 9½ against, say, 7 for BAT. On fundamentals Imps looks overpriced but no doubt any weakness would soon be countered by more rumours.

Terry Garrett

MARKET HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1984/5 High	1984/5 Low	
F.T. Ord. Index	979.9	− 8.6	1,024.5	755.3	Sterling weakness unsettles
Aitken Hume	181	+44	188	120	Persistent bid speculation
BOC	305	+12	309	220	Good first-quarter figures
Brook Street Bureau	121	+31	125	37	Bid approaches
Dale Electric	66	−10	94	66	Poor interim results
East Rand Cons.	69	+16	74	23½	Speculative buying
Finlay (James)	156	+15	156	78	John Swire stake sale rumours
Foster Bros.	196	+68	196	102	Bid from Ward White
Gomme	39	+ 7	40	19	Transfer of pension funds
Imperial Group	200	−15	222	134	Paucity of Ho-Jo sales news
Lex Service	240	−58	435	220	Broker downgrades prfs. forecast
Manchester Ship Canal	328	+73	330	157	Highams take 9.75 per cent stake
Milford Docks	95	+20	95	28	Consortium bid hopes
Oliver Prospecting	83	+23	235	55	Speculative buying
Osceola Hydrocarbons	170	+50	200	60	Speculative buying
Saxon Oil	440	+60	440	225	Exploration hopes
STC	192	−52	372	188	Badly-received rights issue
Stonehill	111	+22	111	64	Interim profits recovery
United Biscuits	214	+15	217	134	Revived bid hopes
Whitworth Electric	58	−15	78	50	Int. loss and profits warning

Stampede goes on

NEW YORK

WILLIAM HALL

WALL STREET professionals were in a confident mood, and many were leaving their offices early this week to enjoy the long weekend commemorating George Washington's birthday, after another record-breaking run on the U.S. stock markets.

The week started with a long overdue correction in the stock market after January's sharp rally. For the first time in over a week declining shares outnumbered advancing shares but the setback was temporary. On Tuesday, trading volume once again began to accelerate and Wednesday saw a fresh stampede as the Dow Jones industrial average soared through the 1300 level temporarily before ending the day at a record close of 1297.92.

The broader-based stock market indices, which had been breaking new records on virtually every day in the previous three weeks, once again marched into new high ground with the New York Stock Exchange (NYSE) composite index closing at 106.08 and the Standard & Poor's 500 index finishing at 183.35.

On Thursday the Dow Jones industrial average flitted back and forth through the 1300 level before closing 10 points down on the day. But analysts remain impressed by the volume of business — by Thursday night turnover had topped 100m shares for 26 consecutive sessions on the NYSE — and the market's ability to advance despite a lacklustre performance by some of the blue chip stocks.

Eastman Kodak, a stalwart of the Dow Jones industrial average, confirmed its profit turnaround on Monday by announcing a 63 per cent rise in 1984 earnings per share to $5.71. But this was not good enough for the analysts and its share price tumbled. By Thursday Kodak shares were down $3½ on the week.

Given that the dollar has appreciated by around a fifth against the D-mark over the last year, Kodak's warnings about the impact of a strong dollar on reducing its future earnings growth upset the market. Shares of IBM, the stock market bellwether, were also hit this week by worries about the impact of a strong dollar. Several analysts have been downgrading their 1985 earnings estimates for IBM by between 25 cents and 40 cents a share to around the $12 mark. In 1984 "Big Blue" earned $10.77. IBM shares, which had started the week at $137½, were more than $5 lower by Thursday evening.

While analysts have been adopting a more cautious view of the prospects for those two stocks, they have become distinctly nervous about some of the other hi-tech stocks whose share price performance has been underpinning the markets' recent rally. Data General, one of the leading U.S. mini-computer makers, was the week's biggest casualty and in the first four days of the week its shares slumped by over a fifth after the company warned about the weakness in new orders "across the board" in the U.S. mini-computer market. Its bearish comments dragged down many other former high-flying computer stocks.

Despite the battering of some hi-tech shares, analysts remain impressed by the underlying firmness of the stock market. Its upwards move in 1985 has not been powered by the performance of the blue chip stocks; that is shown by a mere 6.3 per cent rise in the Dow Jones industrial average this year. The broader-based market indices are up by 9 per cent and in the over-the-counter market, home of many of the smaller capitalised shares, share prices are showing gains twice as big and more. The NASDAQ industrial index is up by a fifth so far this year.

Part of the reason for this week's strong showing of U.S. share prices in the face of some worrying corporate news, has been the underlying resiliency of the U.S. credit markets.

Short-term interest rates stopped rising this week and long-term bond prices resumed their upwards move. Next week sees Mr Paul Volcker, chairman of the Federal Reserve, go before the U.S. Congress to outline his thoughts on the U.S. economy and money supply for 1985. His appearance before Congress is always a key time for the credit markets and despite their recent buoyancy, the U.S. financial markets could be derailed by any overly aggressive moves to curb the growth of the U.S. money supply. However, the latest figures have come in below expectations and analysts see few reasons why the Fed should firm in the near term.

MONDAY	1,276.06	−13.91
TUESDAY	1,276.61	+0.55
WEDNESDAY	1,297.92	+21.31
THURSDAY	1,287.88	−10.04
FRIDAY	—	—

The short sharp lesson from Synterials

Unlisted Securities Market

A SHARP reminder of the difficulties of backing new ventures on the Unlisted Securities Market has come with the latest turn of events at Synterials.

The company is paying back to shareholders nearly £11m—more than half the £20m it raised when it joined the USM in December 1983. It said that it did not need the money because the development of its new process for making components out of synthetic materials was taking longer than originally intended.

The 45p a share payback is at least some consolation to investors who put up 100p a share just over a year ago. But the fact that shares trade at 50p following the announcement shows how little value the market places on the rest of their investment.

News of the refund is accompanied by a very full description of the company's troubles in the report and accounts for the 10 months to the end of September published this week. The story of technical, commercial and managerial difficulties will have a familiar ring to investors who have backed many of the other new ventures on the USM.

Synterials was formed to acquire Technovation, a Dutch company which had pioneered the synthetic materials process under its inventor Mr Ken Happel. Unfortunately, the company found "serious difficulties" with the process as it geared up to full production. The problems were compounded by the resignation, due to ill-health, of Mr Happel.

The costs of putting things right have now been written off against reserves—adding £3.4m to the £3.1m pre-acquisition deficit of Technovation.

Partly because of these problems, the company made an operating loss of £860,000 for the reporting period, although this fell to £29,000 at the pre-tax level after taking in £831,000 investment income. The company expects another operating loss in 1984-85, and profits in 1986.

Synterials makes no bones about its weaknesses. Mr Christopher Brotchie, chief executive since April, says in the report: "Technovation is still a young company which has not yet developed the stability and operational experience so essential for managing the vital transition from a greenfields venture "to full scale production."

Synterials then still has everything to prove—it has yet to make a commercial success of what appears to be a very bright technological idea.

Clearly the risks of failure were made obvious to investors from the start—as in other green-field ventures they were spelt out in the prospectus and it is true that just 14 months afire flotation it is too soon to pass judgment on Synterials.

But its difficulties raise the issue of whether the USM is the right place for greenfield ventures at all.

Brian Winterflood, managing director of jobber Bisgood, Bishop which makes markets in all USM stocks, is in no doubt that investors should he given the chance to back these shares. "People go into these things with their eyes open," he says.

But many stockbrokers and merchant banks sponsoring USM companies are reluctant to touch new ventures. Some that have sponsored them in the past say they would be unlikely to do so again, because the risks outweigh the potential rewards.

They point to other sources of finance which are available to the entrepreneur, in particular to the possibility of attracting outside funds from investors qualifying for tax relief under the government's Business Expansion Scheme.

However, the appeal of the USM for candidate companies remain strong, largely because the market puts a higher price per share on a business than would be offered by a venture capital fund, for example.

Stock exchange rules tend to encourage such companies to join the market as start-up ventures since established companies must have a minimum trading record of three years before they can join.

The record of new ventures on the USM would indicate that it might be time to revise these regulations.

As the table above shows, of the seven new ventures joining the USM before the end of 1982, two — Hesketh Motorcycles and IO Technology — are in liquidation. All the rest, with the exception of Swindon Private Hospital, trade well below their all-time high prices.

Among them the classic case is Nimslo, the company which pioneered a three-dimensional camera only to find that it has yet to discover a profitable market for its innovation.

The example of these companies scarcely bodes well for 1984's crop of new ventures — besides Synterials, there is Xyllyx, which has yet to win large orders for its coin-operated video screens and Applied Holographics, which is in a similar position, though its prospects are more highly rated by the market.

Meanwhile, investors in Hobson, which has devised a new way of making aluminium flat dies, have had to suffer a bitter boardroom row which went to the High Court and has still to be resolved.

Stefan Wagstyl

NEW VENTURES

		Issue	High	Low	Latest
Applied Holographics	June 1984	180	215	141	190
Bio-Isolates	July 1982	33	440	33	33
Hesketh Motorcycles	Nov 1980	80			†
Hobson	June 1984	25	34	19	24
IBS	Feb 1982	84	303	22	38
IOTechnology	April 1982	250			†
Metal Sciences	July 1983	11	37	9	11
Nimslo	Nov 1981	190	270	9	25
SelecTV	May 1981	37	68	10	11
Swindon Private Hospital	Dec 1982	120	122	80	115
Synterials	Dec 1983	100	100	29	50
Xyllyx	Feb 1984	50	63	10	11

† In liquidation. Source: Datastream

SAVINGS OFFERS

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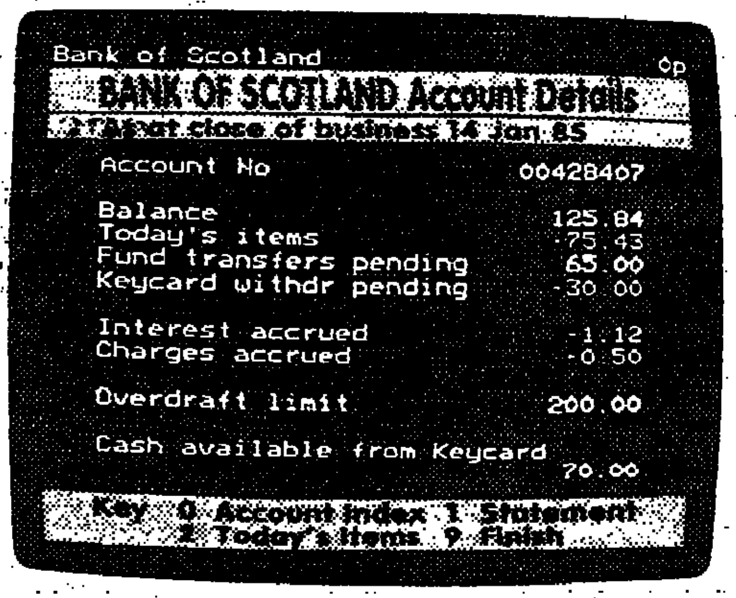

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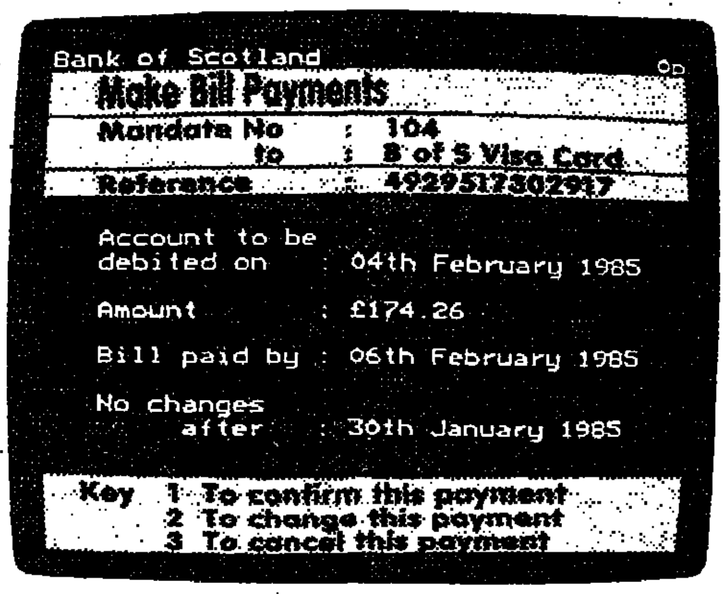
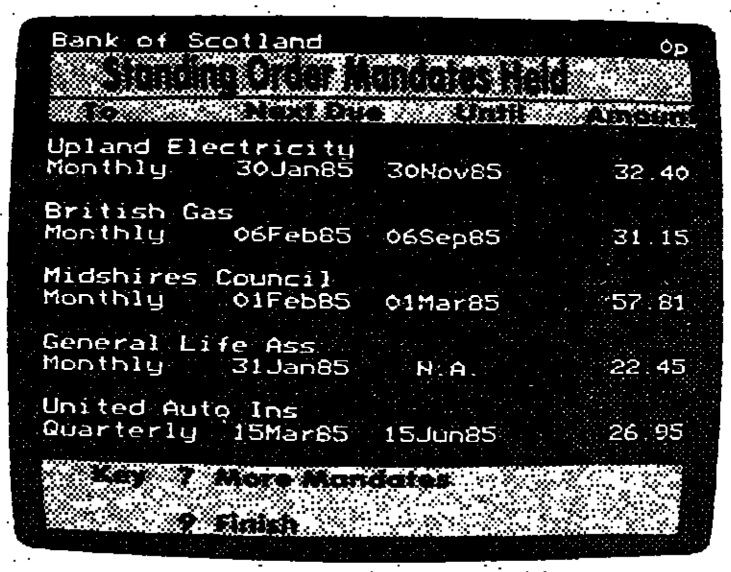


PAYMENT OF BILLS.

INTER-ACCOUNT TRANSFERS.



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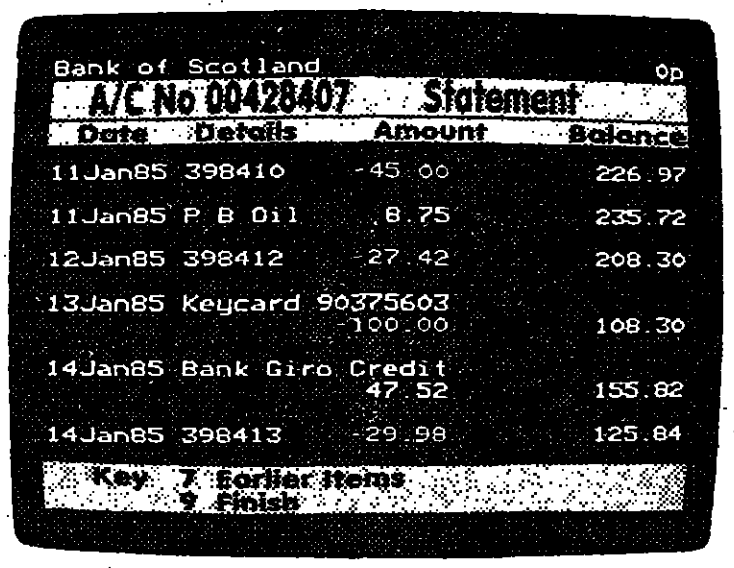
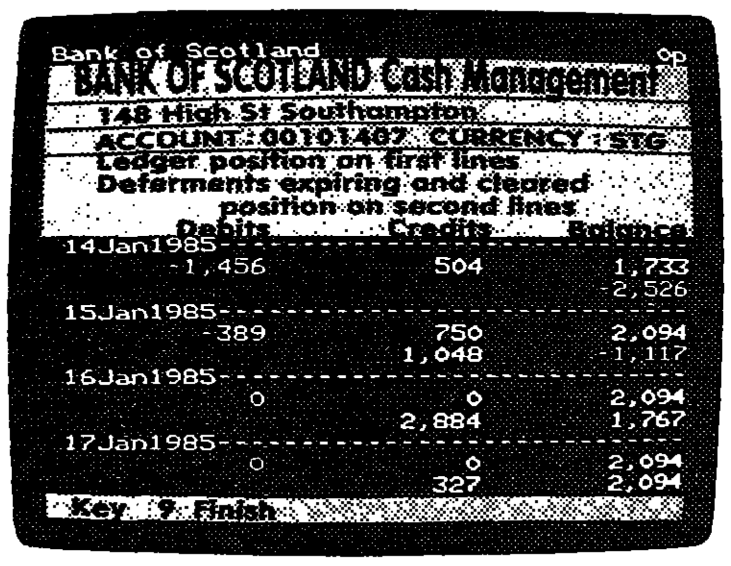


STATEMENT OF ACCOUNT.



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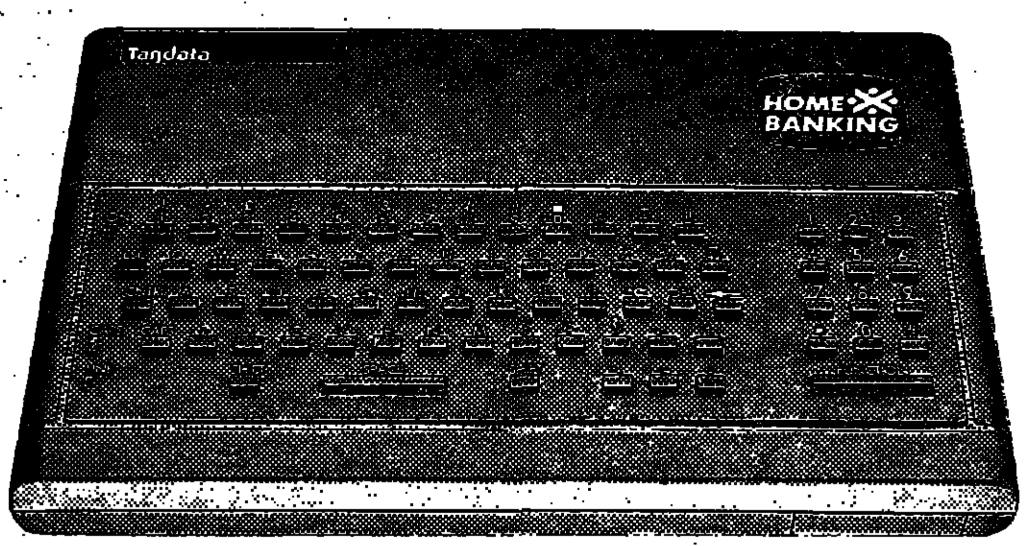

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BANK OF SCOTLAND
A FRIEND FOR LIFE

FT16/2

Clive Wolman sees holiday fantasies turn into budgeting nightmares

Hedge against currency fluctuation

IT IS becoming increasingly difficult to find much solace by spending wintry evenings planning next summer's holiday in an exotic overseas resort.

In the early part of this week the pound was falling as fast as the thermometer. Yesterday's sunshine took some of the chill off sterling but European currencies and the U.S. dollar remain expensive for British travellers.

The projected expense of a summer holiday abroad is mounting. If, six months ago, you reckoned that you would need to take $2,000 with you to spend on a visit to the U.S. in February, you would now need to set aside an extra $450 or £417 to meet this sum. On a trade-weighted basis, sterling has fallen by more than 10 per cent since August.

If you've had to go in for some finely-tuned budgeting for your holidays six months or so hence and the amounts you've alocated are fairly large, you should consider taking precautions.

The best and simplest protection against the fluctuations of the foreign currency markets you are likely to find is through booking a package tour. Tour operators have little or no excuse for not hedging their foreign currency liabilities through the forward or futures markets. So you should be able to insist on a guarantee that there will be no surcharges caused by a falling pound. (Fuel surcharges linked to the oil price are a different matter.)

If you're choosing a package tour on a well-beaten tourist trail, there are usually several companies willing to offer such a guarantee. The only drawback

is that you may have to pay not just a deposit but the full sum when you book, perhaps six months before you go. But some, for example Travelclock of Upminster, give a cast-iron guarante without making such demands.

If you are organising an overseas trip yourself rather than through a package tour, the safest course may be to fix up a do-it-yourself currency hedge. If your trip is to a country with a freely convertible currency, this should demand no more inconvenience than a telephone call or visit to the local branch of your bank.

You need to make an estimate of how much money you will want (or need) to spend during your holiday in foreign currency. Your return ticket will presumably be fixed in sterling but you should check on how the hotel bills will be calculated. Then you should convert the required amount of sterling into the foreign currency and, if possible, put it into the bank's foreign currency deposit account where it can earn interest.

To earn interest, the banks require you to make a fairly high minimum deposit. The Midland Bank imposes the lowest minimum of only $1,000 or the equivalent. Its interest rates are, however, lower than those offered by National Westminster, particularly if you are prepared to leave your money tied up for a month or more. NatWest's minimum is the foreign currency equivalent of £1,000, a restriction which will be less onerous the more the pound falls.

NatWest pays interest on deposits of 19 different foreign currencies. These cover all the popular European holiday resorts except Greece and Yugoslavia whose currencies are not freely convertible. The rates are higher, the longer you are prepared to leave your money tied up.

The regular Lloyds Bank foreign currency deposit accounts require prohibitively high minimum deposits of $3,500 or the equivalent. However, through any branch of Lloyds, you can deposit foreign currency in the bank's offshore accounts in Jersey. The minimum deposit in these varies from US$2,000 to 12,000 French francs or 4,000 D-Marks. Even on these accounts, however, the interest rates are slightly below those of NatWest.

Barclays Bank imposes the most restrictive minimum on foreign currency deposits of $2,500 or the equivalent.

The adjacent table shows the interest rates paid by NatWest on its foreign currency accounts on Wednesday. The rates are frequently adjusted, but NatWest appears consistently to have offered higher returns than its competitors.

But he warned that even the NatWest interest rates for foreign currencies are much farther below the wholesale money market rates than the interest rates offered by the banks or building societies on sterling deposits. Typically, the differential will be about 3 percentage points, which on a £2,000 deposit held for six months, will cost about £30—or £21 after the deduction of basic rate tax—in interest foregone.

From April, the banks will be deducting basic rate tax at source on the interest on their sterling deposit accounts. However, foreign currency interest will continue to be paid gross.

A further cost of switching into foreign currency now to cover your holiday expenses will arise if the pound bounces back against other currencies. If you spend on your holiday all the foreign currency you have allocated, your budgeting will not be affected. You will merely have missed out on a speculative currency gain.

NATIONAL WESTMINSTER FOREIGN CURRENCY DEPOSIT INTEREST RATES—(%)

Type of account notice	$ U.S.	Franc Swiss	Peseta Spanish	Franc French	Lira Italian
7-day	5⅞	¾	6	6⅞	9½
1-month	5¾	2⅛	7¼	7	10⅞
3-month	6⅛	2¼	8¼	7¼	11
6-month	6¼	2⅞	8⅝	7½	11½

How to avoid funeral costs

FINANCE AND THE FAMILY

BY OUR LEGAL STAFF

My brother-in-law has recently died, leaving my sister almost penniless after a life-time of squandering their money and living-it-up. They both said that they would not leave anything and they ridiculed us for preparing for retirement.
My sister, has no children, so I am her next-of-kin and she has no insurance; should she pre-decease me. I do not want to pay for her funeral, so please would you be so kind as to advise me as to how I can avoid this?

You would not be obliged to pay for the funeral so long as you do not enter into a contract with the funeral directors, which could arise if you orally ordered the funeral. You should be able to procure the local authority to organise and pay for a minimal cost funeral.

Give it away

My aunt died recently and appointed me the sole executor of her will. She left several gifts of money and articles; she instructed me to sell her house and her remaining possessions, and she left the remaining monies to a residuary legatee.

The estate will not attract any capital transfer tax, and my aunt's bank accounts and national savings will more than National Savings will more than pay her gifts of money, her funeral and any other charges.

The residuary legatee has asked if I will sell the house to him when I have obtained the grant of probate, and I shall be grateful if you will let me know whether there is any legal objection to this. The effect would of course be that he would pay me for the house and that I would then transfer the monies less legal costs back to him under the terms of the will.

The residuary legatee wishes to modernise and then live in the house. In the open market it would probably sell for about £35,000. If I am legally able to sell it to the legatee I thought I might charge the value assessed by the district valuer in the grant of probate.

It seems rather unnecessary to sell the house to the residuary legatee, if there is sufficient cash and realisable securities to discharge debts, funeral expenses and any other legacies. Your simpler course would be to execute an assent of the house to the residuary legatee (after, of course, provng the will).

Stamp market collapse

In 1978 I purchased a collection of rare stamps as an investment with a view to making a capital gain in due course. The stamp market, however, subsequently collapsed and I decided to sell the collection last year for £1,417.78, showing a loss of £4,582.22.
Can I offset this loss against gains on stocks and shares of which I have made in the same tax year?

Under section 128 (3) of the Capital Gains Tax Act 1979, as amended, your allowable loss is restricted to £3,000. The tax inspector may seek to disallow even this restricted relief, on the ground that the stamps do not form a single set — but this depends upon the precise nature of the collection, of course.

No way round

I have been for some time in the habit of transferring capital when available, to my daughter with capital transfer reduction as the long-term objective. Unfortunately, I am becoming increasingly concerned that my son-in-law may within the next few years find himself redundant with difficulty in finding re-employment on account of the narrow speciality within which he works.
I understand that the amount of capital permitted to be held by either spouse is restricted before social security benefits can be paid, and in their case, the current capital owned, almost entirely by my daughter, is totally inadequate by itself to provide a liveable income, resulting, in the event of long-term unemployment, in its dispersal. In these circumstances, I am reluctant to continue providing my own hard earned capital if, in so doing, I would be merely delaying eligibility for social security benefits.
In circumstances such as outlined, I would be grateful to know whether there is any method whereby capital can be donated without the necessity for its dissipation by the recipients as income before becoming eligible for social security benefits (other than unemployment benefit which I understand is not subject to a means test).

As you quite rightly state, unemployment benefits are not means tested. The maximum eligibility is for one year and thereafter Supplementary Benefit can be sought. Supplementary Benefit is means tested.
If the capital of the family exceeds £3,000, no benefit is eligible, and it can only be sought once capital drops below this level.
There is a paragraph in the Regulations whereby benefit will not be paid in the event of a "deliberate deprivation" of capital. That is, when for example an extravagant mode of living is engaged in over a short period in order to reduce the capital below the limit.
In short, there is no way round capital below the limit.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

On the golden rail

MINING BY KENNETH MARSTON

"WE THOUGHT we could see the light at the end of the tunnel," said David G. Ball, senior executive vice-president and secretary of the U.S. Amax diversified natural resources group. "But it turned out to be an oncoming freight train," he added, wryly.

That just about sums up the experience of all U.S. metal producers last year who saw their earlier hopes of an improvement in metal prices dashed by the end of the year. Furthermore, the strength of the U.S. dollar resulted in foreign competitors getting better domestic prices for their products.

Those competitors used this advantage to increase their share of the U.S. market, much to the chagrin of Amax and the other U.S. companies. David G. Ball cannot understand why the British are so worried about the weakness of sterling against the strength of the U.S. dollar, "you should be having a ball in the U.S. market for your exports," he said to me, thoughtfully.

Still, Amax is pressing on with its cost-cutting programme and concentrating on the profitable areas of the business, such as coal, petroleum and aluminium. It has also been cheered by the discovery of a sleeper, not the sort to be found in railway tunnels but a nice little gold deposit which has been so named because it was discovered in the Slumbering Hills there.

"Sleeper," says Pierre Gousseland, president of Amax, "will be one of the lowest cost producers in the world," and it will not cost very much to be brought to production in about 15 to 18 months' time.

It is an open-pit proposition which so far is estimated to contain at least 3.8m tonnes of ore — there may well be more because the find is still "open" laterally and at depth — with a good average grade of 4.46 grammes of gold per tonne. Plans are for an annual recovery of 55,000 oz gold plus 60,000 oz silver.

In the much bigger gold league, South Africa's Anglo American Corporation is pressing on with its plans for a merger of the Orange Free State mines of Free State Geduld, President Brand, President Steyn and Western Holdings (which owns the mining asstes of Welkom).

The OFS goldfield, which was opened up in the 1950s is now past its prime, but the mines still have large remaining ore reserves of some 350m tonnes containing about 2,500 tonnes of gold. A lot of the ore is locked up in the "pillars" that mark the boundaries of the existing separate mining properties and a merger would make this available for mining.

It would also provide the flexibility to make the most use of the existing shafts—handy for extending into new areas—surface plants and other facilities. Overall costs would be reduced, the lives of the existing mines would be extended and, adds Anglo, the financial base would be strengthened and dividends to shareholders maximised.

Merging these big and deep mines would create the world's largest gold mining complex capable of an annual production of around 133 tonnes of gold for an operating profit of R571m (£280m) and dividends of R234m. The biggest gold producers at present are South Africa's Vaal Reefs and Russia's Murantau each with an annual output of about 80 tonnes of gold.

Other mine mergers have contained a tax-saving element whereby a profitable mine has acquired the tax losses of its less fortunate partner. These days the South African Government does not look favourably on such deals and there have been fears that, suspicious of some such intent in the present case, the Government might block the ambitious OFS merger.

These fears have been allayed to some extent this week by Peter Gush, the chairman of Anglo's gold division who described the plan as "tax neutral," although there may be room for manoeuvre in the new tax and lease formula for payments to the State which will be worked out for the merged operation.

Then, too, great care will be needed in working out the terms for shareholders of the companies involved. Present thinking is that there will be two, or possibly three, holding companies, shares in which will be exchanged for those of the present companies with terms based on market values and the lives of the individual mines.

All this is going to take time and it could be summer before the plans are finally implemented. The deal is thus still far from being cut and dried but, if and when it is, small investors wanting a look in will hope that sufficient shares are made available to allow a share price of manageable proportions.

That is what the Afrikaner Gencor group is doing with its proposed flotation of about one-quarter of the ordinary share capital of its Beatrix Mines. In 1983 the, so far, unlisted company sold its young gold mine in the far southern part of the OFS to Buffelsfontein in one of these tax effective deals.

Beatrix received in return a 15 per cent share of the gross revenue of the young mine. It has been brought up by Buffels to the point at which full production is expected at an annual rate of over 380,000 oz of gold by the end of this year. The mine has a life prospect of some 27 years.

Gencor now feels that the time is ripe to sell off some of the Beatrix shares and, at the same time, net itself a useful R109.5m. Gencor is thus offering its own shareholders the right to buy 23 shares in Beatrix at the manageable price of R5 per share (about 249p) on the basis of every 100 shares held in Gencor.

The offer will probably go down well in South Africa where there is a good demand for domestic gold shares, the prices and dividends being more attractive in the weak home currency than they are in sterling, for example. In terms of sterling, most South African gold shares do not look particularly inviting at current prices which are buoyed up by the Johannesburg demand.

● Another new gold mine to be given the go-ahead is the A$37m (£25.3m) Pine Creek open-pit proposition in Australia's Northern Territory of the Consolidated Gold Fields group's Renison Goldfields Consolidated (60 per cent) and Enterprise Gold Mines (40 per cent).

Production is expected to start late this year, reaching an annual average rate of 53,000 oz gold plus 20,000 oz silver. Ore reserves are put at 6.7m tonnes grading 3.3g gold per tone to give a life prospect of nine years.

YOUR SAVINGS AND INVESTMENTS

Chris Hills (left) and John Hodson

Sights on Target

George Graham on combining risks with investment know-how

WHEN YOU go looking for above average returns on your investments, you have to accept above average risk.

But that is no reason for losing track of the principles of sound investment, according to John Hodson, investment director of Target Trust Managers.

Target's Special Situations fund has been the fifth most successful UK unit trust over the last five years, but not by concentrating exclusively on short-term opportunities like takeover bids.

"It's a fund where you can buy most things," says Hodson, "but the basic principles of looking for sound balance sheets and good management apply across the board."

Target is suspicious of investing in companies on the grounds that a takeover bid is expected to boost the share price.

"The problem with takeover stocks is that you believe someone else will manage the company better," says Chris Hills, the manager in immediate charge of the Special Situations fund. "So unless the takeover happens it will underperform."

He sets a firm timetable in his mind for this kind of holding, and clears it out of his portfolio quickly if the takeover does not materialise. Otherwise, he says, he would end up with some very stale shares.

Hills prefers to put the core of his portfolio into what he sees as good quality companies, though he cautions that quality companies don't always produce strong share price performance.

One company that has come up trums is Lamong Holdings, which Hills visited in Northern Ireland in May. "The company's stockbrokers invited me to go because they knew we looked at stocks no one else would look at."

The shares were virtually unknown to City analysts then, but Hills was impressed—particularly with Lamont's computer software operation, an addition to its textiles and property business that he believed was not yet reflected in the share price.

The price has more than doubled since he bought them, but Hills thinks the shares are still cheap. "A lot of people get put off because the share price has risen so fast, but they don't look behind the scenes to see why it has risen." He feels the company's profits will continue to grow.

Associated Newspapers was another company that Target thought was not fully recognised by the City. With the share price at £5, Target took a long look at the company and found £20 of assets per share.

"There is an oil company they may float off at some stage which is probably worth the present capitalisation of the whole lot," says investment director Hodson.

Since then, Hodson and Hills have found that Associated Newspapers has come out of its shell and started talking to the City. As a result its share price has climbed to the £8 level.

The two managers prefer to generate most of their own ideas in-house, rather than relying on the suggestions of the stockbroking community. "There's no substitute for doing your own work," Hills says.

They also like to get closer to the companies they invest in than do some other fund managers. Hills likes to see the bricks and mortar, and meet the company's management on their home territory.

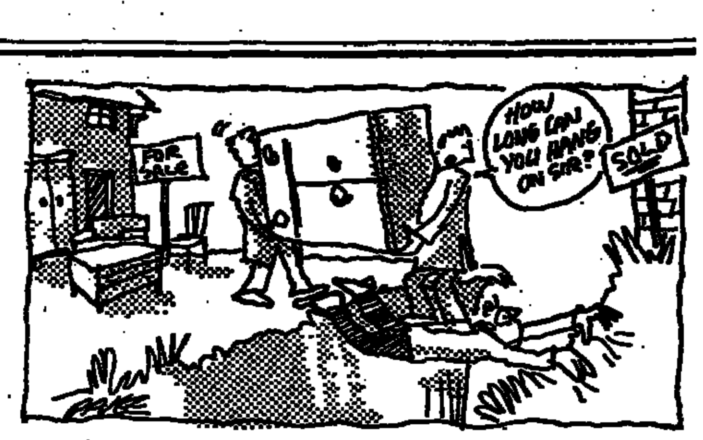
One area where Hodson and Hills are very cautious is the Unlisted Securities Market, where share prices are very high in relation to the underlying profits of the companies. "The whole thing has got very expensive," says Hodson.

They recently carried out a blitz on their unlisted stocks—and just in time, beating by six weeks the recent collapse in USM electronics share prices sparked off by Acorn Computer's problems.

"Performance is just as much missing that kind of thing as picking the winning stocks," says Hodson.

Dina Thomson looks at a special financing problem facing house buyers

A bridge going between two homes



BEING THE somewhat involuntary owner of two homes instead of one can be a painful experience. If you need to start paying for a new flat or house while you are still financially committed to your present one, you are likely to need some sort of bridging finance.

Such loans can substantially complicate the process of moving house. They come, of course, at a time when you are already feeling a financial pinch, and they are offered at marked-up interest rates.

The sort of bridging finance you need will depend on your circumstances and your position in the chain of buyers and sellers. The need for a loan may vary from a 10 per cent deposit on a new purchase to as much as 100 per cent of the buying price.

If you have not found a purchaser for your home but have your heart set on buying a particular house, you could find yourself needing a 10 per cent deposit to exchange contracts on your purchase. If you still have not found a buyer for your former home you could be owning, and paying for, two homes.

With an "open-bridge" loan (see chart) it is uncertain when you will succeed in getting rid of one property—and therefore not clear how long you will need the bridging finance. You run the risk of servicing two mortgages for an indefinite period.

By and large, the building societies are more hesitant than the banks in handing out open-ended bridging finance. But the major banks, too, prefer you to be able to see light at the end of the tunnel.

To avoid both the anxiety and the cost of an open-bridge, you should aim for a simultaneous exchange of contracts on both your sale and your purchase. With such an exchange you will need only the 10 per cent deposit on your new home, unless the completion of the conveyancing on your sale is held up for any reason while the conveyancing on your purchase is completed. In that case, you could find you need up to 100 per cent of the value of your purchase.

Such "close-bridged" loans require you to have good tangible reasons for thinking that your borrowing will be short-term. Banks and those building societies which offer bridging finance prefer that sort of loan. As a result the costs are likely to be lower than they are for open bridging loans.

Although a "closed-bridge" can involve substantially more than 10 per cent of the value of the property you wish to buy, you may find some banks and building societies unwilling to lend any more than 10 per cent.

Before you go out looking for bridging finance, bear in mind the difference between banks and building societies, both in terms of what they can offer under the law, and what they are willing to offer.

You can obtain a bridging loan from your bank even though you may have your mortgage with a building society. Under the law at present, building societies must have a first charge on the property on which the loan is made; banks are not required to do so.

As building societies cannot make loans on property on which they do not have the first claim if you should default on your mortgage payments, they tend not to advertise the fact that they provide bridging finance. Technically they would need to have first charge on both properties concerned to provide any bridging funds.

In practice, however, most of the big building societies (excepting the Leeds) do offer some bridging finance. You have to be an existing borrower to qualify for such finance. The most common means of getting it is to obtain a further advance on your existing mortgage.

Alternatively, you can get another mortgage on your old home with the same building society to cover your costs until you sell it.

A further advance on an existing mortgage will cost you a flat £20 fee with the Halifax, and you will be paying 3 per cent above the base mortgage rate (now 13 per cent) for your bridging finance. Another mortgage would require no arrangement fee, and the borrowing would be charged interest at 13 per cent up to £25,000, 13.5 per cent for £25,000 to £30,000 and 14 per cent for amounts over £30,000.

The Woolwich offers by far the lowest rates for bridging finance among both the big building societies and the clearing banks, but its facilities are officially available only to existing borrowers. A £20 arrangement fee will obtain a loan for you with interest charges at your existing mortgage rate—now 12.875 per cent. The Woolwich does not increase its mortgage rate as the size of the loan increases.

The main clearing banks vary as to what sort of bridging finance they are prepared to offer, and at what rates of interest. To protect themselves, all the big clearers require a solicitor's undertaking for bridging finance if your mortgage is not already with the bank.

That involves a letter from your solicitor stating that the loan will be used for the purpose stated and will be paid back to the bank when the sale of the old home is completed, or within a set period of time.

Among the clearers, Barclays seems the most willing to grant an open-bridge loan. It charges a £125 arrangement fee and interest at 3½ per cent over base rate (which is now 14 per cent). If you get a Barclays home mortgage, the arrangement fee is halved.

Midland charges an arrangement fee of £100 and 4 per cent over base for an open-ended bridging loan, but it emphasises the risks to borrowers, if they cannot sell their old homes. Lloyds goes one further and does not offer open-bridge loans at all.

National Westminster varies its arrangement fee depending on the sort of loan required, while Williams & Glyn's charges around 1 per cent of the loan as a fee, with a maximum fee of between £100 and £200.

Both those banks suggest a range for the interest rate charged on loans, leaving its setting to the branch manager's discretion.

If the intricacies of bridging loans on top of the trauma of moving house may tempt you to settle for a personal loan or an overdraft to tide you over till better times, resist that temptation. Bridging loans entitle you to tax relief on the interest of up to £30,000 of borrowings. This is in addition to the regular mortgage interest relief. Thus the post-tax interest on a bridging loan should be far below that on a personal loan. The annual percentage rate (APR) of interest on loans now averages about 21 per cent.

Source of bridging finance	Loan offered	Arrangement fee	Rate of interest charged
Barclays	10% deposit	£75	Base + 3½% = 17½%
	Closed bridge	£125	Base + 3% = 17%
	Open bridge	£125	Base + 3½% = 17½%
Lloyd's	Closed bridge	£2.50 per £1,000 (£75 on £30,000)	Base + 3% = 17%
Midland	10% deposit open bridge	£100	Base + 3-4% = 17-18%
Nat. West.	10% deposit	£75	Base + 3-5% = 17-19%
	Closed bridge	£100	
	Open bridge	£150	
Williams & Glyn's	10% deposit, closed bridge, open bridge	approximately 1% of total	Base + 2-4% = 16-18%
Abbey National	Recommend further advance on existing mortgage	£1 per £100 borrowed	2% + mortgage rate: 13.00% up to £15,000; 13.25% £15,000-£25,000; 13.5% £25,000-£30,000; 13.75% over £30,000
Halifax	Further advance	£20	3% + base mortgage rate = 16%
	Two mortgages	No charge for another mortgage	Differential applies: 13% up to £25,000; 13.5% £25,000-£30,000; 14% over £40,000
Woolwich	10% deposit (very hesitant) open bridge	£20	Existing mortgage rate 12.875%
Leeds	No bridging finance (under consideration this year)		

Way to £300 a day

LLOYDS BANK has launched a new high interest cheque account that is the closest any clearing bank has yet come to a full current banking service that still pays interest.

The account will offer both a cheque book and a Cashpoint card, allowing customers to withdraw up to £300 a day from Lloyds' 1600 automated teller machines around the country.

It will pay 13.0 per cent interest on balances over £2,500—the minimum for opening an account. Balances which fall below that will be paid 10.5 per cent.

The account is significantly more flexible than most of its rivals. It is the first clearing bank account to include both a cheque book and a cash card, although Midlands' high interest cheque account includes a free current account with a card.

There is also no minimum size for cheques drawn on the Lloyds account, and customers can use their ordinary Lloyds cheque cards as a guarantee on cheques up to £50.

Three withdrawals each quarter will be free—further withdrawals cost 50p each.

The new account still falls short of offering the full services of a current account. Direct debits and standing orders cannot be made, and the customer cannot run up an overdraft.

George Graham

YOUR SAVINGS

When rough justice is a fact of life

ERIC SHORT examines *the actuary's role in* giving policyholders a fair deal on bonuses

ONE MAJOR responsibility of a traditional life company's actuary is to work out how to distribute the profits from the life funds fairly between policyholders. The objective is to ensure that the policyholders whose premiums have earned *those profits* receive them.

This ideal allocation is, however, difficult to achieve—partly because in practice premiums are pooled and are not matched in any way with particular investments. Even if these were, there would be a question mark over how to allocate profits which continued to be earned long after the policy which provided the original outlay had matured.

Actuaries accept that at best they can only achieve rough justice in sharing out profits. Underlying any distribution is the need to preserve a strong base to finance future growth and operations.

Before the 1970s actuaries generally paid too much attention to their financial reserves and tended to underdistribute profits. Growing competition then made them less cautious and more willing to pay out profits.

This problem has become more acute as life companies have invested a greater proportion of their assets in equities and property.

Until the 1970s it was usual to bring in investment returns as they arose. Thus, dividend and interest payments were credited as they were received, usually half-yearly. But capital profits were brought in when they were made—possibly after many years.

The rapid rise in equity values in the early 1970s showed that this approach certainly could not work for equities. The fruits of equity type investments came not just in the form of dividends or rents, but in capital growth. So unrealised capital profits have to be brought into the profit determination if the actuary is to maintain fairness between policyholders, and not defer the benefits forward to future generations of policyholders.

It is straightforward for actuaries to determine the accrued capital profits on fixed interest investments, but not so easy for equiites or property. Unit-linked life contracts adjust for these changes automatically. But actuaries are still reluctant to introduce market price-related methods which would result in fluctuating profits.

The need to keep bonus rates stable is inherent in the approach of most traditional life company actuaries, so they have devised a two-tiered bonus system as the soultion to the problem of fair distribution.

The first tier is the standard annual reversionary bonus payment intended to reflect the investment income received by the fund during the year, together with such unrealised capital appreciation as can safely be brought into account (mainly capital appreciation of gilt-edged and other fixed interest bonds). This should provide a stable reversionary bonus basis, though actuaries have been warning policyholders that if interest rates fall substantially then reversionary bonus rates could be cut.

The second tier is a terminal bonus paid when a policy matures, when the insured person dies, or (as with pension policies) the policyholder starts to draw his pension.

This terminal bonus is intended to reflect the unrealised capital appreciation on the equity and property holding of the fund. Given the variable nature of these capital profits, it is logical to pass on the fruits to the policyholder when his contract is about to go out of the portfolio.

The inherent feature of traditional life assurance in which minor fluctuations are smoothed out also applies to terminal bonuses. Even so, the intention is that terminal bonuses should be more volatile than reversionary bonuses to achieve the desired fairness.

Such a system results in fluctuating returns on with-profit contracts, but on nowhere near the scale of volatility of unit-linked contracts. But here the marketing director exerts his influence.

The major, possibly the only, selling point of traditional life assurance is its stability. Marketing directors do not like bonus cuts of any description.

Actuaries have been declaring terminal bonus rates at a level they expect to maintain for *some years in the future, even* if stock markets fall. So again some current generations of policyholders are getting less than their just rewards, with the corollary that other policyholders may get more than they strictly deserve.

However, terminal bonuses have now become a major policy instrument in marketing traditional life assurance. A substantial increase in the *terminal bonus can put* a life company among the leaders in the current performance tables at far less immediate cost than lifting the reversionary bonus rates. In fact actuaries, under pressure from marketing directors, have been keeping reversionary bonus rates steady, to avoid having to make early cuts if conditions move against them, and have been increasing terminal bonuses substantially.

But this action, common until last year, has produced a backlash.

The only beneficiaries of an increased terminal bonus are those policyholders whose contracts are maturing. The remaining policyholders must wait and hope that market conditions will still be favourable when their turn comes.

But many actuaries feel that all policyholders should get the *benefit of a year's successful* investment, as was seen in 1984, so they are declaring special reversionary bonuses on top of the normal reversionary bonuses as well as terminal bonuses—a third layer sandwiched between the two.

The concept is that such special reversionary bonuses would be cut or not paid if investment conditions were less favourable in, say, 1985. But the marketing director might have his own view.

George Graham looks at mortgages and where to get the best deal

Shop around and watch the extras

IT'S EASY enough finding a mortgage these days. Banks and building societies are falling over themselves to lend you money.

Finding the best deal is more difficult. It's a full time job keeping track of shifting interest rates and taking account of the extras you may be charged by different lenders for different sizes of mortgage.

Banks and building societies don't all move their mortgage terms at the same time—or even in the same direction. Barclays, for instance, has decided that it will now charge ½ per cent above its basic rate for loans over £15,000, and another 1 per cent for those over £30,000.

But Lloyds is taking the opposite tack: it used to charge differentials on larger loans, as Barclays has now started to do. But in future it will have a single interest rate no matter what the size of the loan.

The clearing banks are also changing their attitude to endowment mortgages. They have in *the past* charged an extra 1 per cent, though Lloyds followed the building societies in adding only ½ per cent. Now NatWest, too, is moving to an extra ½ per cent for endowments.

When rates and differentials change, does your bank or building society keep in line with the rest of the field? It is certainly not safe to assume that it will play fair with you —as *homeowners* with loans over £30,000 from Abbey National have found.

Abbey used to charge 1 per cent over its basic rate for mortgages in this size bracket. But in its new interest rate structure it is only charging an extra ¾ per cent.

Good news, you might think —but only for new borrowers. Those with the bad luck or bad judgment to take loans from *Abbey in the last two years* find themselves lumbered with the 1 per cent differential for the duration of their mortgages.

New differentials will not have the same unfortunate consequences for Barclays borrowers. Homeowners who already have mortgages at the Barclays basic interest rate will continue at this rate. They will in some cases be paying 1 per cent less than newer borrowers with the same *size* of loan.

There is more consistency over basic interest rates, though there is still a risk that your lender will raise its rates by more than the average, or lower them by less.

It is difficult to get a fully accurate picture of the true interest rates, because building societies will not be compelled to publish their annual percentage rates (APRs) until September this year. The APR is the most accurate measure of interest costs.

Because of differences in the way they calculate interest, a building society will in reality be charging more than a bank, even if both quote the same nominal interest rate. Midland Bank, for instance, has a nominal mortgage rate of 13.5 per cent, which works out as *an APR of 14.2 per cent.*

The Halifax Building Society's nominal rate of 13.5 per cent, however, ends up as an APR of 14.5 per cent.

In general, a building society will end up charging 0.3 per cent more as an APR than a bank with an identical nominal rate. But NatWest calcluates interest in the same way as the building societies, so has comparable APRs.

Although smaller building societies usually charge more on mortgages than their big brothers, this is not always so, as the cheapest mortgages table shows.

Stuart Eaton, chief executive of the £30m Tipton & Coseley Building Society, says that he has to maintain reserves at 6.8 per cent of his total assets, double the level of giants such as the Woolwich.

But Eaton, now in his 44th year with the society, still manages to offer an attractive deal to his members — both borrowers, who pay 12.875 per cent without size differentials, and lenders, with a top investment rate of 9.3 per cent.

What about the newer lenders in the mortgage market — the overseas banks who have been offering some of the most competitive interest rates for larger loans? Some home-buyers have been worried that although they may be charged a low rate of interest now, in future they will find themselves at the mercy of their lender.

The banks are much more closely tied to interest rates in the money markets than are the building societies—which can resist a rate increase, as *they are doing at the moment,* so long as they keep getting money in over their branch counters.

"We are caught up with the underlying trend in interest rates," says Chris Heard of Chemical Bank's mortgage department. "If rates go up we may have to react that little bit quicker, but if they come down we can also move down faster."

Chemical's mortgage rate is now 14.5 per cent, up in line with bank base rates. So it is no longr as competitive as it was last October when it featured on these pages as the cheapest deal. But the rate will come back down as soon as possible, Heard says.

United Bank of Kuwait, however, has decided not to raise its mortgage rate by as much as base rates for the time being. It moved only 1.75 per cent and now charges 13 per cent. But director Mark Burton warns that he will have to review this if base rates don't come down soon.

The keenest rates on offer at the moment are from Security Pacific. It charges 15 per cent for loans up to £25,000 and 14 per cent on £25,000 to £35,000. It comes into its own for larger loans, with a rate of 12.75 per cent on £35,000 to £50,000 and 12.0 per cent on anything above £50,000. And it charges no extra for endowments.

What can you do if you are unhappy with your bank's or building society's mortgage moves? Superglue in the cash machine slots used to be popular with the anti-apartheid movement, while one disgruntled New Yorker last year chose to spray a dozen of his bank's branches with bullets in one night on the rampage.

If this seems too extreme, there is little else you can do but take your mortgage elsewhere. This will cost you both time and money.

You will have to pay for a valuation of the house by your new lender, and for the legal costs of a new mortgage. *On* a £35,000 house these would come to about £152, according to estimates by the Woolwich Building Society. On larger loans the switch might cost up to £250.

Even with this built-in penalty, there are many cases where moving to another lender would bring clear and immediate benefits.

One FT reader who has been considering a switch has a £24,000 endowment mortgage with the Chelsea Building Society. Because Chelsea starts to charge extra on smaller loans than many other societies, he is paying interest at 14.625 per cent.

Remortgaging with, for example, NatWest, would cut his interest payments to 13.375 per cent — a saving of £25 a month. He would therefore cover the costs of a switch in six to 10 months, and would save £300 a year for the remaining 21 years of his mortgage.

In some cases the gain is even clearer. If you had borrowed £36,000 from a building society such as the Paddington, the Ecology, the Hampshire or the North East Globe, you would be paying the princely rate of 15.25 per cent.

THE CHEAPEST MORTGAGES

Up to £15,000	£15,000-£25,000	£25,000-£30,000	£30,000-£35,000	£35,000 +
12.75%	12.75%	12.75%	12.875%	12.75%
Bedford*	Chesham*	Chesham*	Melton Mowbray*	Security Pacific
Bristol & West	Hanley		Nationwide	
Britannia	Loughborough*	12.875%	NatWest	12.875%
Chesham*		Melton Mowbray*	Tipton & Coseley*	Melton Mowbray*
Hanley Economic	12.875%	Nationwide	Woolwich	Nationwide
Hibernian*	Market	NatWest		NatWest
Loughborough*	Harborough	Tipton & Coseley*	12.95%	Tipton & Coseley*
Yorkshire	Melton Mowbray*	Woolwich	Colchester	Woolwich
	Nationwide			
	NatWest			
	Principality			
	Tipton & Coseley*			
	Woolwich			

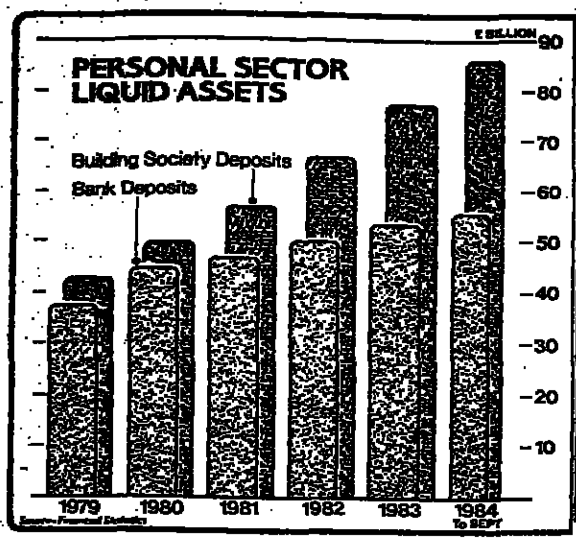
* Investors only.

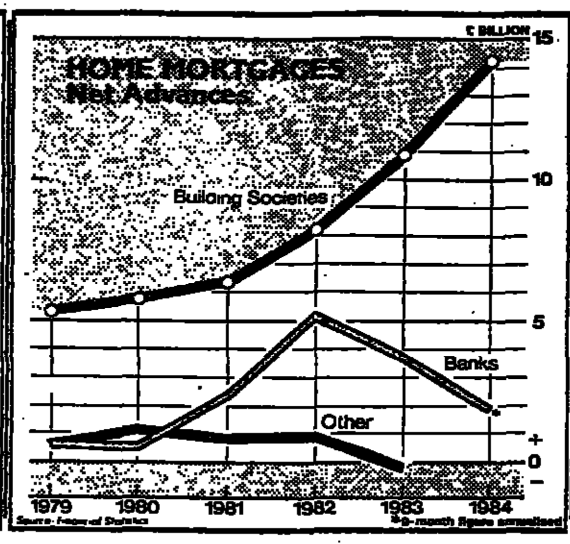
Source: Blay's Guides, Churchfield Road, Chalfont St. Peter, Bucks.

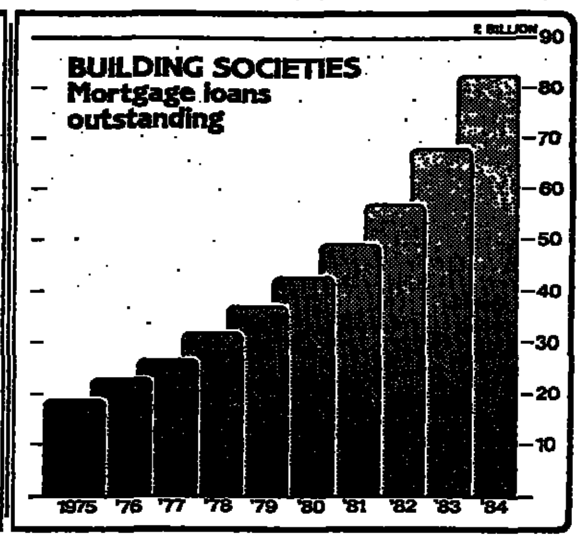
FINANCIAL TIMES SURVEY

Saturday February 16 1985

Proposed legislation for building societies will not be a magic wand which transforms them into fully fledged, diversified financial institutions. It will be more akin to a catalyst, enabling them to respond effectively to their rapidly changing environment.







CONTENTS

Building Societies

Transformation gathers pace

By Margaret Hughes

BUILDING SOCIETIES in Britain are in the throes of radical change, a process sparked off initially by the entry of the banks into the mortgage market in 1980. And their transformation has gathered momentum in the past three years as the rapid restructuring taking place in the City itself begins to revolutionise the overall financial services environment.

Since last summer the clearing banks have quietly raised mortgage lending after effectively withdrawing earlier on. More significantly foreign banks have turned their attention towards the market. So far they have tended to concentrate on the larger sized mortgages but there are signs that they are now also eyeing the mass market.

Because, unlike the building societies, they do not have a retail deposit base, these banks are using wholesale funds to fund their mortgages and are also adopting innovative financing techniques. By using the Eurobond market, as Bank of America did recently, for instance, loans can be taken off a bank's balance sheet. This allows it to advance more mortgages and so step up its business. It is also, at present, a cheaper source of funding for the banks than the retail deposits relied upon by the building societies.

If this relationship between wholesale and retail interest rates continues, societies may find that the banks will be able consistently to undercut their mortgage rates. Given that the growth in mortgage demand is slackening off anyway, and in the longer term owner occupation will reach saturation point, societies may have a difficult time holding on to their current market share. Building societies account for 77 per cent of the mortgages outstanding, which have doubled over the past four years to £107bn.

They, too, are likely to have to be more innovative in their fund raising, which is why the larger societies are anxious to be allowed to make greater use of the wholesale market and to explore new sources within this sector such as the Eurobond market. As several acknowledge it is becoming not simply a question of wanting to but of having to do so.

The internal competition faced by the societies has been no less severe. The Chancellor's speech to the Bow Group just ahead of the publication of the Government's Green Paper effectively ended the interest rate cartel then in existence. This had already been undermined by the decision of Abbey National to break away the previous autumn.

When rates went up in the summer, the Building Societies Association (BSA) recommended rate was ignored by the larger societies who set their own basic rates for the first time, and chose to exceed the BSA rate. Since then the BSA has stopped recommending rates, but the disorderly market which ensued has forced the major societies again to consult with each other before changing.

Competition has been even more pronounced in its effects on the investment front. With societies' rates out of line with market rates they were badly affected in August by the 28th issue of National Savings Certificates which offered a better return than the higher interest building society accounts. The societies' efforts to reverse the sharp decline in the inflow of funds, which fell to the lowest monthly level in nearly three years, triggered off a free-for-all on the investment front.

Uncharacteristically this was led by the normally conservative Leeds Permanent and not by one of the smaller or medium sized societies.

Better returns

The intense competition which followed the launch of the Leeds "Liquid Gold" Account, forced some societies to lift further mortgage rates to allow them also to offer better returns, with consequent additional pressure on margins. The two most recent rate changes have been much more sedate affairs with the major societies using the November downward change to widen their margins. Last month when societies again changed their rates, this time upwards, there was no breaking of ranks, but on this occasion there had been a strong inflow of funds in previous weeks.

Rivalry on the investment front is certain to increase. Over the past ten years building societies have succeeded in taking over the banks' dominant position in the retail deposit market.

Societies now have a 50 per cent market share against 38 per cent 10 years ago, while banks have seen their share cut from 45 per cent to 33 per cent. National Savings' share of this £171bn market has held steady over the same period at around 15 per cent.

But banks are now hitting back and there will soon be new players in the field. Banks have been forced to introduce more attractive returns on their accounts because they too will shortly have to deduct tax from depositors' income at source.

Other organisations such as retail stores, estate agents and insurance companies are keen, too, to get in or to expand their existing role in the retail financial services field so as to be able to offer a one-stop service. Building societies will thus have a tougher time in attracting savers' funds which they will not indefinitely be able to hold on to by simply raising their rates.

Building societies have lobbied strongly and successfully to secure the new powers envisaged for them in the Government's proposed legislation. The Green Paper, published last July, yielded to the societies most of what they wanted to do in the financial services, housing and house-purchasing fields. The Government also threw in several proposals of its own — for example, provision for societies to buy and sell shares. But it still has reservations over the potential conflicts of interest if societies undertake estate agency work and is not convinced on insurance broking.

The Government requested comments on the Green Paper by October 15 last year by which time it had received over a 100 submissions. There was criticism from solicitors, estate agents and others who would be directly affected by the societies' new powers. Having digested these responses, the Government is expected to make a further statement on the proposals in the spring. The new legislation is due to go before Parliament in the next session and to come into effect in late 1986 early 1987.

Yet, with the new powers virtually within their grasp many societies are having second thoughts, including even the largest societies. Only last month the second largest society, the Abbey National with assets of £17bn, and hitherto the most aggressive of the big societies, said that while it "relished the new challenges" it did not want to "dash for every opportunity the new Act may present." Societies should choose only those ventures "compatible with their current operations and image and which offer a sustainable profitable return."

The biggest dilemma will be for the middle ranking societies, with assets in the £1bn to £4bn range, whose customers may demand wider financial services which they may not necessarily have the financial and other resources to provide. It is in this sector where more mergers are likely to take place and here, too, that those foriegn banks, intent on mortgage lending and on participating in retail banking in the UK, will be looking for candidates for takeover. This will be made possible for the first time under the new legislation.

As Mr Herbert Walden, the current chairman of the BSA has often emphasised, not all societies will want to exercise their new powers—less than a third will be allowed to undertake the new risk activities anyway — and those that do will not want to be "everything to everyone." That said there is no turning back the clocks, and for the industry to survive rationalisation is inevitable with more mergers producing fewer, but stronger societies.

The industry which has collective assets of well over £100bn — of which 84 per cent is in the hands of the top 16 of the 190 societies — will also become more diverse. Smaller efficient societies will continue to operate in the traditional business of extending housing finance and raising the necessary funds by offering attractive investment returns, staying well clear of the financial services area.

Able to survive

Financially strong and efficiently managed regionally based societies should also be able to survive, again strengthened by mergers, and offering the limited financial services which their customers demand. Less than a dozen of the larger societies will become fully fledged retail bankers of varying hues. Some of these will have to merge either to ensure a strong enough asset base or national presence to be able to undertake the new activities. The Alliance-Leicester link-up proposed last year is a fore-runner of what may be expected.

The extent to which societies change, and the route which they take, to provide the new services, in particular whether they continue as mutual bodies or convert to company status, will depend on the crucial guidelines on capital adequacy still awaited from the Chief Registrar of Friendly Societies.

Providing a wider range of financial services, especially money transmissions, is far more costly than societies' traditional operations and the major societies are already building up their reserves in preparation. Unsecured lending and holding land and property are also much riskier. To an extent the societies' innate conservatism should act as an in-built restraint, but greater prudential regulation will also be necessary.

The interim period is likely to be one of trial and error as new moves and approaches are tested and sometimes abandoned. Into this category comes the recently called-off merger of Mr Walden's own society, the Heart of England, with the Coventry.

Though the Green Paper is seen by many as the charter for building societies to become banks, the societies themselves do not want to become identified too closely with banks. They are well aware that much of their success in attracting retail deposits away from banks particularly in the early days has been due to their more sympathetic public image. As the Abbey National has pointed out their customer base is their strongest weapon in the new competitive era, and their main task will be to "protect and serve it."

Building Societies 2

Need to protect traditional role

Financial Services

DAVID LASCELLES

THE building societies were, *not surprisingly, delighted* by the recent Green Paper which covered their future legislation. The Paper met virtually all the ideas they had aired in the previous year's Spalding Report on the future of the movement.

If it all goes ahead, societies—especially the big ones—will be able to offer virtually all the same basic retail services as banks, and others besides like estate agency.

This should *give* a sharp impetus to competition in the high street where banks have already responded to the societies' inroads by reopening some *branches on* Saturdays.

The questions that will have to be addressed during the debate on the Green Paper, though, include the extent to *which liberalisation could divert* societies away from their traditional role of home loan-makers, and the danger that they could saddle themselves with unexpected risks and costs.

The Green Paper was careful to distinguish between new powers which the Government would like to grant to building societies, *and ideas which it is* not wedded to but thinks might be worth debating.

The most radical in the first category was the proposal that large societies (those with over £5m in free reserves, some 56 of them) should be allowed to *make* unsecured personal loans, own land and invest in equities. The limit would be 5 per cent *of their assets.*

Apart from altering the traditional concept of a building society (that all its loans should be first mortgages), the right to make unsecured loans would itself open up whole new avenues of services, like per*sonal loans and overdrafts, on* to which standard banking products like cheque guarantee cards, credit cards and the whole paraphernalia of a bank current account could be grafted.

At the moment, societies can *only effectively offer these sorts* of products in alliance with a bank, which is one reason why Britain's first home banking experiment launched by the Nottingham Building Society had to be tied in with a bank—in this case the Bank of Scotland.

The Green Paper is careful to comment that smaller societies would not have the management or reserves to take on this sort of business; "nor would they wish to take it on." But the larger societies, while welcoming the proposal, feel it does not go far enough.

In their formal response the *societies say the £1,500 proposed* limit for guarantees (or essentially guaranteeing every cheque in a book for £50, as banks do now) is too small, particularly since it could be several years before new legislation is enacted.

Abbey National, the second largest building society and one of the few to make any detailed comments of its own, also feels that the £5,000 limit on personal unsecured loans is too small, and urges that it be doubled.

Linked to this is the proposal to allow societies to provide money transmission services: to take payment instructions from customers, such as cheques, or make guaranteed payments to other banks or institutions. This in turn would involve *them in the bank clearing* system more closely.

However, provision has been made for that by the recent Child Report which recommended sweeping changes in UK clearing to allow virtually any institution with an interest *in it to become a member.*

The societies are also keen to offer complete housebuying services to complement their mortgages. The Government has supported moves to allow societies to do conveyancing and structural surveys. But it *is worried* about the potential conflicts of interest if societies go so far as to act as estate agents as well.

The societies have replied *that they would provide* such services through separate subsidiaries which would be independent (except that they might put up lists of houses for sale in the societies' regular branches, and staff there could help with information but not negotiate).

The Government is also unconvinced that societies should *become fully-fledged insurance* brokers. Many of them already offer insurance services as part of their mortgage-making activities. But they are keen to extend this to insurance in general because of what they see as a trend towards "one stop" finan*cial services.*

Similarly, the Green Paper does not commit the Government to supporting the societies' eagerness to offer investment services, like the purchase and sale of stocks and shares, and financial advice, again in *line with the big clearing banks.* Some societies would also like to be able to manage unit trusts through separately capitalised subsidiaries.

The feeling in Whitehall is that while allowing societies to offer these services would serve the Government's goal of popularising share ownership, there are risks involved.

The signs suggest there will be a lively debate over these issues. The Abbey's *chairman,* Sir Campbell Adamson, said he was encouraged by the Green Paper but added "We feel that a more liberal approach is needed and one which does not shackle the leading societies with controls which are applied generally, whatever the operational scale or management expertise of the society."

But Mr Philip Girle, the general manager of NatWest's *domestic banking division, has* warned societies that setting up a successful current account *system* will require "a substantial investment in manpower, machines and experience." And he asked them in a conference speech: "It may be that you will not be able to absorb these costs indefinitely. What will be the reaction of your customers *if you start charging them?"*

A self-serving remark, admittedly from a potential competitor. However, there is little doubt that money trans*mission is a barely profitable* activity in the UK, at least at today's level of bank charges.

And if the societies do go in for it in a big way, it could become even less profitable, particularly if they decide to "buy" their way in by charging *little or nothing, at least* initially.

There will also be opposition to many of the proposals from interested groups like insurance brokers, estate agents and possibly even stockbrokers. But it is probably fair to say that *building societies and banks will* be much less distinguishable in five years' time than they are now.

Mr Roy Cox (left) takes over as chairman of the Building Societies Association on June 5. It is felt that his experience as head of the Alliance Building Society will serve him well in his new role. But others argue that Mr Herbert Walden, who Mr Cox succeeds, was as chief executive of a much smaller society, the Heart of England, better able to reconcile different views within the industry. Nevertheless, as a man who is more than willing to project himself, Mr Cox may well be the right man to be taking over the chairmanship at a time when the societies themselves are being forced to adopt a higher profile.

Profile: Roy Cox

By Margaret Hughes

Marked change of style

A HARD act to *follow* is how the building society world views Mr Roy Cox's task when he takes over on June 5 as chairman of the Building Societies *Association (BSA) from* Mr Herbert Walden.

His predecessor is highly regarded as the man who has quietly and effectively steered *building societies through* the difficult early stages of their transformation from cosy mutual institutions into the forefront of the financial services industry.

The two men could not be more different in both style and background. Mr Cox is a much more flambuoyant character than Mr Walden and *comes to* the post from being chief executive of one of the largest building societies. *For* the past 14 years he has been chief general manager of the Alliance Building Society which has been one of the first to recognise the changing environment.

Its most recent and dramatic response has been its decision to merge with the Leicester Building Society creating the *fifth largest building society* in Britain, with assets of over £6bn.

It is felt that Mr Cox's experience as head of the Alliance *will serve him* and the industry well in his new role at the BSA — he is currently deputy chairman of the Association.

Others argue that Mr Walden, *as chief executive* of a much smaller society, the Heart of England, was better able to reconcile the different views within the industry.

Because he *had their confi*dence he was able to both reassure and influence the smaller societies to whom Mr Cox is, inevitably, seen as a less sympathetic figure, too closely associated with the interests of the larger societies.

Mr Cox is viewed as an aggressive, commercially oriented operator with a more urbane and sophisticated manner than is normally associated with building societies. His contemporaries point to the Alliance's plush seaside *office complex* at Hove — where plate glass and fountains are the order of the day — as an indication of his style.

An accountant by profession, 59-year-old Mr Cox spent the early part of his working life as an expatriate in Colombo, Sri Lanka.

For twelve years he was chief accountant for the Colombo Commercial Company which was involved in the tea and fertiliser industries. After what he describes as "the most fascinating and interesting period of my life" he decided in *his* mid-30s that it was time to return to the UK.

He switched occupations too, joining Urwick Orr and Partners as a management consultant. One of their clients was the Alliance Building Society and four years later Mr Cox joined the Alliance as Secretary.

He then rose fairly quickly to the top, becoming chief general manager in 1970 and a director in 1976. He has been a member *of the BSA Council* since 1973 and became deputy chairman in 1983, a position which traditionally leads to the chairmanship.

When he joined the Alliance he was regarded *as* a dynamic new force in the industry who quickly put his stamp on the society, where he is still regarded with some awe.

Adopting a much higher profile than his contemporaries he appeared in his society's tele*vision advertising* campaign in the early 1970s. "I did it before Freddie Laker" he is proud to point out.

During his years with the Alliance the society has become much more commercially oriented, *frequently* updating its products to meet or beat the competition.

The Alliance has targeted its marketing at up-market customers using the professional route of accountants, banks, solicitors and other advisers. It is one of the few societies to launch a cheque-book account. *In association with the Bank* of Scotland this enjoys an automatic sweep mechanism which ensures that customers have free banking and earn building society interest, with access to Bank of Scotland's loans and Visa card. Alliance was also the first society to issue a building society bond to tap alternative sources of funds.

Mr Cox expects his own society—the Alliance and Leicester as it will become known after the merger—to continue to expand its financial services activities. It is the route which the Leicester has also followed. While "applauding" those societies which have taken a direct role in housing, Mr Cox does not anticipate his own society following suit.

Although he will become joint chief general manager of the newly merged society it will be a relatively brief reign since he retires at the end of the year. He will, however, remain a director.

This will allow him to devote *more time* to the BSA, the role of which he sees expanding in the future.

He rejects suggestions that the BSA's role will be a diminishing one now that it no longer has a part in setting or recommending interest rates.

He nevertheless concedes that, depending on what emerges from the new legislation, there may need to be a review of the BSA's role.

In his view this is likely to result in a broadening of its activities to cover the new areas which societies will be entering. As societies move into these areas he feels they may well find it an advantage to negotiate through the collective voice of the BSA.

Mr Cox does not anticipate that even the larger societies will want to exercise all the new powers which they are expected to be granted by the new legislation. He does not foresee many societies converting to company status but believes this is a "necessary—and useful escape mechanism" which *should* be available *to* those societies which want to change direction.

In his view, retail deposits and mortgage lending to owner occupiers will remain the mainstay of societies' business. With his own society engaged in the movement's largest ever merger, he anticipates a continuation of the trend whereby the number of societies has been more than halved in the past 10 years. This trend has been particularly evident among societies with assets in the £1bn to £4bn range, and he expects these to be the likely candidates for takeovers by foreign banks keen to establish a retail base in the UK once this becomes possible under the new legislation.

Chairing the BSA is very much a balancing act which Mr Walden has managed with consummate skill. As a man who is more than willing to project himself, Mr Cox may well be the right man to be taking over the chairmanship at a time when the industry is itself being forced to adopt a higher profile.

Some objections reflect a desire to safegaurd both buyer and vendor but others appear more intent upon maintaining status quo

Reservations expressed over one-stop services

Housebuying

MICHAEL CASSELL

ALTHOUGH the British public might jump at the chance of one-stop housebuying, courtesy of their friendly High Street building society, the prospect has not been universally welcomed.

While some reservations on the concept of a complete, building society-based house-buying package reflect a desire to safeguard the best interests of housebuyers and vendors, other objections appear less concerned with protecting the public and more intent upon maintaining the status quo.

Few would doubt, and some would fear, the impact which building societies could have once they began to capitalise upon their predominant role in private housing by providing a full range of customer services.

The Building Societies Association is in no doubt that members should be given powers to offer a full range of house-buying services and see no compelling reasons to prevent what it regards as a logical extension to the societies' existing activities.

The societies are the first to appreciate that housebuying can be a costly and complex process and that any moves towards simplifying the process would generally be warmly welcomed.

Given their central role in the house buying and selling process, the societies are regularly asked to provide advice on matters which fall beyond their existing remit; the temptation to offer those services in-house, rather than pointing potential customers in another direction, is a strong one.

First-time buyers

As the BSA said in its final, pre-Green Paper representations: "Many house purchasers, particularly first-time buyers, will not previously have had contact with solicitors or surveyors and a significant proportion ask their building societies for advice on whom to approach in order to get legal work done or to have a structural survey.

"If societies were enabled to offer a wider package of services to home buyers, then this would be a convenience to the public in that the number of organisations and individuals with whom they would need to deal would be reduced."

The Association added: "This could help reduce the confusion and apprehension which many house-buyers feel. There would also be the opportunity to speed up the house-purchase process and, in many cases, to reduce the costs."

The societies believe there are several key areas in which they could participate and emphasise that any staff deployed in new activities would be fully qualified. A leading contender for building society participation is the provision of structural surveys.

At present, societies undertake a valuation for mortgage purposes and the extension of this activity to embrace a full structural survey, while seeming convenient and logical, is simply not permissible under present law.

In the same vein, the societies see no reason why they should not also provide a conveyancing service for customers, an area in which, they claim, there is considerable public dissatisfaction. Neither do they believe they should be prevented from acting as insurance brokers.

Perhaps one of the most controversial suggestions is that the societies should be allowed to offer estate agency services. They point out that Lloyds Bank now controls the largest residential estate agency network in the UK and that several house-builders also have estate agency offshoots.

There can be no logic, they claim, in permitting such organisations to offer estate agency services while barring building societies, with all their housing expertise, from one part of the market.

The Government accepts the argument, emphasising its belief that the entry of societies into the agency field would enhance competition. There are some reservations in Whitehall, however, which have been widely voiced by other property professionals.

Concern expressed

The Green Paper expressed concern at the prospect of building society branch managers being responsible both for arranging sales on behalf of vendors and for financing the purchasers.

While, as agents for the vendor, the societies' duty would be to achieve as high a price as possible, its duty to a purchaser, to whom it was also making a loan, would point in the opposite direction. The position would be complicated further if the society also valued the property.

The Green Paper said such conflicts would clearly be unacceptable and that safeguards would have to be provided, although it was noticeably short on specific ideas and called for further views on whether and how such problems could be resolved.

The theme was subsequently picked up by the National Consumer Council, which has no doubts about the popular appeal of a building society house-buying package but which has warned that the terms of competition must be fair.

Mr Jeremy Mitchell, director of the NCC, says he has "serious doubts" as to whether societies should be able to provide estate agency services.

"The possibilities of conflicting interests are real and serious. Societies would be acting for the seller of a house and for the buyer. The problems are not insuperable but need very close examination."

The NCC is not alone in expressing the view that the societies' plans for wider involvement are unlikely to be troublefree. The Royal Institution of Chartered Surveyors, whose members have more than a passing interest in the residential agency market, says nothing should be able to detract from the societies' main purpose of providing housing finance and offering a secure investment vehicle. The commercial activity of estate agency, it believes, simply will not square with the role of a non-profit making mutual society.

The RICS says it is seriously concerned about possible conflicts of interest if a package service is offered: "If societies are to act as estate agents and surveyors as well as lenders of mortgage finance, housebuyers seeking mortgages might not be fully advised about the structural condition of a property or the best terms for a mortgage and sellers might not be advised of the best price obtainable," it says.

Conflict of duty

"A society's duty as an estate agent to achieve a high price for the seller would result in an irreconcilable conflict with its duty as a mortgagee to ensure that a housebuyer purchases a house on the best terms."

The RICS pushes home its objections by suggesting no system of policing could ensure that societies did not make the use of their estate agency services a pre-condition of granting a loan. Societies acting as estate agents, it adds, might be tempted to make unsound loans to borrowers to expedite a sale.

The societies themselves, however, see little cause for concern and say the potential problems "can be exaggerated." The BSA says that, in the few cases where a society would be asked to provide a loan to the purchaser of a house where the vendor had a loan from the society, any conflict of interest could be overcome by using an independent panel valuer, rather than a staff valuer.

The societies have also attempted to allay fears over potential conflicts of interest by suggesting that any agency operations would be run as separate subsidiaries, thereby eliminating the prospect of branch managers arranging sales and financing purchases under one roof. The BSA points out that a society might wish to offer a listing service through its branches, but that branch staff would not be involved in any part of the negotiating process.

The Association concedes that it might be difficult to cover such points adequately in legislation but says any changes in the law would at least require full disclosure of interests to the different parties, together with a requirement for a clearly defined, subsidiary operation.

The reaction appears to have gone some way to allaying fears that building society staff could be forced to serve more than one master.

Mr John Phillips, president of the Incorporated Society of Valuers and Auctioneers, said he was encouraged by the societies' apparent acceptance that separate trading entities would have to be established.

But there are also doubts in some quarters as to whether a decision by societies to offer estate agency services would necessarily result in increased competition and, in turn, a better service for the consumer.

A recent paper prepared by three housing researchers suggested that those societies anxious to widen their market-place were most likely to acquire existing agency chains, thereby concentrating ownership in the sector and actually reducing the level of competition.

Public approval

The societies are not being easily deflected from their view that their proposals will meet with widespread public approval and that the good relationship they have built up with their customers will stand them in good stead once the additional services are made available.

The industry emphasises that customers will be under no obligation to use the services on offer and that they will remain free to use surveyors, solicitors and insurance brokers in the same way they choose their building society.

It also points out that, as in the case of many of the other proposed building society reforms, only a limited number of societies are likely to have the resources to pursue significant diversification programmes.

However many new doors are opened by new building society legislation, not every society will choose, or be able, to walk through them.

A prime weapon if a broader financial base is to be achieved

Technology

ALAN CANE

FOR THE building societies, technology is a prime weapon in their struggle to become accepted as broader based financial institutions.

In fact, it is more than a weapon, it is a necessity. The recent Government Green Paper should result in a more diverse role for the building societies. At the same time there is the possibility of some of the larger societies joining the UK payments clearing system as a consequence of the Child report.

It will all throw heavy additional pressure on the societies' computing resources.

At the Midshire, for example, a small society based in the West Midlands but a pioneer in the use of branch controllers, Mr John Edkins, its data processing manager, reckons the growth in numbers of transactions processed is growing at a rate of between 11 per cent and 20 per cent a year.

Last year, his Honeywell mainframe computers processed 7.2m transactions.

There are four chief areas where building societies can seek to use new technology to competitive advantage; automated tellers; front and back office processing; office automation and home financial services.

Automated tellers machines (ATMs) or banks-in-the-wall operated by a plastic card, are a particularly effective weapon especially when several societies co-operate to share their resources in linked networks.

Earlier this month Mr Tony Stoughton-Harris, chairman of the Building Societies Association, signed a contract with IBM UK for the operation of an ATM network shared between, initially, seven building societies: the Alliance, Anglia, Bradford and Bingley, Leeds Permanent, Leicester, National and Provincial and Woolwich Equitable.

Together, they form a company called EFT. The project is being co-ordinated by the CAP Group, a UK computing services company.

Each of the members has its own network of ATMs; through EFT, however, a member of any of the co-operating societies will be able to use his or her card in any of the ATMs in the network.

Co-operation

This kind of co-operation is seen by the building societies as a way of countering, to some extent, the advantages enjoyed by the clearing banks with several thousand installed ATMs between them.

Earlier plans to form a shared network involving all the members of the Building Societies Association came to nothing however, because of disagreements over how the costs and benefits should be shared between the larger and smaller societies.

Now at least two other networks are likely—first, the Halifax Building Society which continues to build up its own network, and second, FTS, a consortium of building societies, savings banks and other non-bank financial organisations. The latter includes Citibank Savings, American Express, Yorkshire Building Society and Western Trust and Savings.

Mr William Murphy, chairman of FTS, says the consortium will eventually be offering a full branch service through its ATMs.

ATMs are becoming dramatically more sophisticated. In the UK, the market leader is NCR, used by three of the four big clearing banks.

The building society market has proved valuable to Philips which is selling machines built by Diebold, the market leader in the U.S.

Anglia, a member of the EFT consortium, has recently placed an order with Nixdorf Computer for 40 ATMs valued at about £1m.

The latest generation of ATM's are able to offer virtually any financial service. In addition to the usual services such as cash dispensing and balance enquiries, NCR's new machines can print a full A4 size statement, arrange a loan, buy and sell stocks and shares and offer advice on investment and insurance schemes.

They incorporate interactive videodisc technology which makes it possible for the customer to carry on a dialogue via the keyboard with moving pictures on a video screen.

Key to efficiency

If ATM networks are the key to nationwide visibility, front and back office computer systems are the key to branch efficiency.

A typical approach is to link counter terminals and back office terminals to a small computer—the branch controller—which in turn is linked over telecommunications lines to a mainframe.

Software is a significant investment and crucial to the success of the operation. Recently the Woolwich Equitable Building Society announced it would buy software worth £1.25m from Hogan Systems, a major U.S. financial software supplier, arguing that it was necessary to keep up with the accelerating pace of change as building societies took advantages of new opportunities presented by the Government's Green Paper.

The sharpest example building society innovation in technology is still "Homelink," a home banking system based on the UK viewdata service Prestel and mounted by Nottingham Building Society with the Bank of Scotland acting as clearer.

The Nottingham refuses to release the number of subscribers but they are believed to number several thousand. A survey last year suggested the scheme was generally successful, with more than half the subscribers using the service several times a week.

Viewdata technology — which makes it possible to deliver information over ordinary telephone lines to be displayed on somewhat modified television screens for a fraction of the price of conventional computer datacommunications—is seen by the building societies as a way of cutting out paperwork and getting information quickly to the point where it can be used.

Competitive information on rates and penalties for example can be distributed to all a societies branches quickly and cheaply using viewdata.

Building Societies 4

Prospective financing innovation

Wholesale Funds

MARGARET HUGHES

BUILDING societies are hoping that the 1985 Finance Bill will allow them to pay interest gross on quoted Eurobonds. This would open up an important new source of funds for them, one which would be a major innovation in building society financing.

It is a move that would only be open to the larger societies —only those with assets of over £2bn are allowed to raise wholesale funds.

Such societies would command a high quality credit rating in the Euromarket, where they would be extremely popular with investors, always keen to diversify their portfolios.

At present societies are permitted to raise five per cent at most of their total assets in the *wholesale markets but this* ceiling is expected to be raised to 20 per cent within the new legislative framework. Some societies, like the Abbey National and Nationwide, are keen that the ceiling should be raised even further. They are optimistic that, at the discretion of the Chief Registrar of Friendly Societies, it will be.

Under Section 343 of the 1970 Income and Corporation Taxes Act, building societies are required to pay interest net of basic rate income tax, unless there are specific provisions to allow them to pay interest gross. Since 1983 they have been permitted to do so on certificates of deposit and time deposits.

This has opened an alternative source of funding, of which societies are making increasing use. Whereas in 1982 they raised only £230m from wholesale sources the amount raised rose sharply in 1983 to £1.58bn. Last year there was a further substantial increase to £2.23bn.

The wholesale money markets have provided a useful alternative to societies at times when retail deposits have dried up.

Last August the societies raised the largest monthly amount ever on the wholesale markets' £447m. This was more than twice the net inflow of £199m which they attracted from their traditional source, the high street saver.

Frequently, as societies have relied more on premium rate short notice accounts to attract funds, wholesale markets have also proved a cheaper source of funding. And while societies are keen to emphasise—and seem genuinely committed to—their retail deposit base, they will clearly make greater use of *wholesale funding.*

In part this is because they have over the past year committed themselves to meeting mortgage demand—a departure in itself. But they also need to increase reserves to finance the new activities which they may want to move into once new legislation has been passed.

The major societies are therefore keen both to make greater use of the wholesale market and to diversify their sources within it. To some extent this path may also be imposed upon them. For the first time they face competition in the mortgage market where for so long they have had a monopoly.

While their major competitors at the moment, the clearing banks, have a retail deposit base, the newer entrants to the market — foreign, *especially U.S. banks—have to* fund their mortgage lending entirely from wholesale markets.

If they, as is widely expected, are able to fund their mortgages more cheaply than building societies they will be able to undercut building society mortgage rates.

Building societies intent on maintaining market share will then have little choice but to seek cheaper sources of funding.

To date building societies have had no great need of alternative sources of funding. They have been extremely successful in stealing the clearing banks' retail deposits. But as societies have themselves become increasingly competitive, especially in outbidding each other for funds, then that retail deposit base becomes correspondingly more costly.

The more enlightened societies are well aware of the need to explore these "non traditional" sources of funding. This is why the Halifax recently decided to extend the use of the certificates of deposit (CDs) route to raise longer term funds (over five years) by issuing a string of such certificates which are automatically rolled over or re-issued every three months.

Now the Nationwide—which has been one of the pioneers of wholesale funding, being the first to issue quoted negotiable bonds and also the first to tap the certificates of deposit market —is exploring the possibility with merchant banks of entering the Eurosterling certificates of deposit market.

The advantage of this would be that no specific provision would be needed to tap the Euromarket in this way, since societies are already allowed to pay interest gross on CDs.

Once societies are also permitted to pay interest gross on quoted Eurobonds, Nationwide is interested in raising funds through floating rate notes (FRNs) and other instruments. Eventually it anticipates raising funds in currencies other than sterling. These funds could then be swapped for sterling at *highly advantageous interest* rates.

There is also a lobby which foresees the development of a secondary mortgage market in Britain along the lines of the one which is now well established in the U.S., where it is said to be the largest debt sector. In a secondary market mortgages are bought, sold and traded much like stocks and bonds. The institution originating the loan sells on the loan, raising funds in the process to make additional mortgages.

According to Tricor Securities which trades in the U.S. secondary mortgage market, about half of the $500bn new mortgages written in the U.S. last year were traded in the secondary market. Because it takes mortgages off the lenders balance sheets the secondary market allows them to do more mortgage business.

Among the advocates of such a move in the UK is Mr Clive Thornton, former chief executive of the Abbey National; a man never short of new ideas who acts as consultant to the American Mortgage Trust Fund, an offshore fund set up to invest in U.S. mortgages.

Mr Thornton sees the development of such a market in the UK as a means of attracting institutional funds from insurance companies and pension funds to invest in inner city and other "no-go areas."

By selling their mortgages on to such institutions, he argues, building societies could start making use of those "valuable securities which are now just lying there."

In a paper published by the BSA earlier this month, Mr Mark Boleat, deputy general secretary of the association, concluded that the secondary mortgage market experience of the U.S. was "largely irrelevant" for other countries, including the UK.

His arguments rest on the fact that the U.S. market had grown out of the interstate restrictions on banking institutions and the fixed-rate mortgage system which has traditionally operated in that country. He also maintains that, with the switch to variable rate mortgages in the U.S., the secondary market is on the wane.

This is refuted by Mr Victor Dhogge, vice-president of Tricor. He claims that the growth of adjustable rate mortgages, which now account for some 70 per cent of new mortgages in the U.S., has neither reduced the demand from buyers for *mortgage paper nor reduced the* profitability of the secondary market for the savings and loans associations.

He further claims that because variable rate mortgages are seen to be less risky, demand for them has grown in the secondary market, where they are now more popular than fixed rate mortgages.

And while Mr Boleat argues that the purchase of securities *issued by building societies may* well be a more efficient means of attracting institutional money into housing since their CDs are 90 per cent covered by capital, Mr Dhogge points to the off-balance sheet advantage of the secondary market.

For the moment Britain's building societies do not so much oppose the idea of a secondary market as feel that there is no need for such a vehicle.

However, the seeds are already there. Towards the end of last year Bank of Scotland raised a £117m syndicated loan to provide funds for mortgage loans, and last month Bank of America became the first to use the long-term capital market to fund mortgages in the UK.

For the time being at least, such mechanisms are most appropriate to mortgage lenders who may not have a wide retail deposit base in the UK. Banks and other non-building society lenders have 23 per cent of the market, accounting for £24.6bn of mortgage loans outstanding. If even only these funded their mortgages in this way, the sums of money involved would be large enough to establish a sizeable secondary market which building societies might be forced to participate in.

And while the Bank of Scotland and Bank of America moves are not true secondary mortgage market operations this may well be the way in which such a market begins in the UK.

Increase in specific marketing

Advertising

FEONA McEWAN

OVER the years, building societies have embraced advertising with increasing verve. Since 1975, their expenditure on both Press and television advertising has increased elevenfold.

Figures from Media Expenditure by Anaylsis Ltd (MEAL) show the escalation of spending through the 1970s, peaking in 1983 at £62m and settling last year at £60m. Big money by any standards. The building societies now represent the sixth largest spending sector on the UK adverticing scene, says MEAL.

Efforts by the societies to gain an increased share of national savings, and their attempts to attract business away from the banks has seen their proportion of the liquid savings market jump from 24 per cent in 1966 to 45 per cent by 1982, according to the Building Societies Association.

Competition has probably never been hotter, nor marketing skills so crucial.

It is no longer enough to say "We're a friendly face, save here," as one experienced adman put it. More informed consumers are looking for the best service for their investment Added value is becoming the name of the savings game.

For some years advertising was able to capitalise on the societies' age-old image of "Honest Joes'" . . . safe, simple and secure. Hence the rash of slogans focusing on people and helpfulness, "I'm with the Woolwich," "Mr Bradford and Mr Bingley." "Get the Abbey habit," "Get a little Xtra help" —friendly, approachable and emminently personable.

However, with the shift from being single-product organisations of the 1970s, to the multi-product diversification of the 1980s, more specific advertising has followed. Television is broadly used for "thematic" messages, the corporate stance, or for announcing new innitiatives, such as Leeds' Liquid Gold, while press remains the favoured medium for specific detailed messages. *TV for strategic and print for tactical* moves, is the rule.

There is always the risk, according to some observers, that in the scramble for short-term businesss (which advertising brings in effectively enough) the leapfrogging of produc's puts longer-term brand loyalty at risk.

"It's most important to maintain brand franchise with all sorts of added services and benefits too, because if the business is totally interest-dominated, with ads concentrating on larger percentages, large companies, for instance, could find themselves losing out to smaller ones able to offer the same or lower rates."

Brand loyalty is not won overnight, as every packaged goods manufacturer will tell you.

It is a problem facing many societies that consumers have trouble differentiating between them. Recent research from Charles Barker City underlines this.

Among high street society account holders of all denominations, the research showed only two societies scored well on the spontaneous public awareness—Halifax and Abbey National, for years the most consistent and high spenders.

They scored 69 and 59 per cent respectively. The next group was some way behind (in the 30 odd per cent range). It included Nationwide, Bradford & Bingley, Northern Rock, Woolwich and Leeds. Britannia and Alliance scored less than 10 per cnt.

In terms of prompted recall the same two names (Halifax and Abbey National) dominated followed closely by B&B and Woolwich.

Influence runs at a premium

Pensions and Insurance

ERIC SHORT

BUILDING SOCIETIES have become a dominant force in the UK insurance marketing field and are increasingly prepared to use their muscle in dictating the terms and conditions for insuring borrowers.

Societies are the largest *distributor of* household insurance in the UK. Even though borrowers, thanks to the efforts of Sir Gordon Borrie, the Director-General of Fair Trading, have a choice of where to insure their house, the vast majority still use the insurance facilities provided by their building society.

Household insurance through block building society arangements is growing and competition between insurance companies to secure or retain their market share is keen. Hence the societies, particularly the big ones, can influence the terms of those block contracts.

Nowhere has this been demonstrated more than in the increase in housebuilding premium rates being made by leading insurance companies.

Housebuilding insurance has been making underwriting losses in most years because the premium rate—almost universally 15p per £100 insured—has been inadequate to cover the costs of storm, freeze and flood claims in winter and subsidence in summer.

The insurance companies have been seeking a 20 per cent increase in rates to 18p to get their housebuilding account back on an even keel. The societies have persuaded the companies to restrict that rise to 16p. In return, the societies have agreed in principle to accept a lower commission rate.

The societies are not just restricting their influence to housebuilding. They have been negotiating with insurance companies to market combined building and contents insurance — acting a role as an insurance intermediary. This is the era of packaged insurance contracts and the societies are getting involved in the design of such packages for their borrowers.

Societies play just as dominant a role in the marketing of life assurance, a role that assumed prime importance with the changeover to Miras — net mortgage payments — nearly two years ago.

Miras made low-cost endowments very attractive as a means of repaying mortgages, and 1983 saw a vast expansion of low-cost business. Most societies made special arrangements with life companies for special schemes to enable borrowers to switch to the endowment method.

When *Mr Nigel Lawson*, the Chancellor of the Exchequer, removed life assurance premium relief (LAPR) in last year's Budget, it was widely forecast that endowment mortgages would fall out of favour again. New business figures by the life company associations showed that this business in 1984 fell only marginally from the high levels of 1983 and was *well* ahead of 1982.

It is uncertain whether this high level of low-cost endowment sales shows that it is still a good means of repaying a mortgage even without LAPR, or the societies are still recommending low-cost endowments in preference to the repayment method because of the commission.

There is no official system of control over payment of commission by life companies. The previous agreement operated by the life company association ended in 1982. Although a new agreement has been set up in principle—the Registry of Life Assurance Commissions (Rolac)—it is not yet operational. Technically, life companies are free to pay whatever commisssion they want.

Although many companies have stated that they are abiding by Rolac scales, there is no monitoring system.

Rolac envisages commission scales graded according to type of intermediary and the level of service provided. Building societies expect to qualify for the top scale.

In many respects this claim will be justified. Societies are establishing insurance divisions, staffed by personnel with insurance experience providing an intermediary service similar to an independent.

Even if this was not the case, the marketing strength of building societies in selling low-cost endowments should be sufficient to obtaining the backing of enough life companies to support the contention for top commission rates.

This muscle was used in early 1983 *when life companies first* had the freedom over commission payments. Attempts by life companies to restrict payments to building socities floundered because of competitive pressure.

The White Paper envisages building societies operating full insurance intermediary services to customers, offering a full range of insurance services not confined to house mortgage activities. Customers would be able to arrange their motor insurance and pension contracts through a building society.

Such a move would regularise the current situation and control activities [illegible] ensure they were offering a full insurance broking service and not just acting as introducers of business.

The White Paper was wary of building societies underwriting insurance business. The societies now seem less enthusiastic about entering this field. However, they are watching the move by the Government to bring about a system of personal pensions.

Under such a system, employees would be able to opt out of their company pension scheme and/or the state earnings-related scheme and make their own arrangements. The Government envisages employees even holding their own share portfolios under such a system: but experience in the U.S. showed that individuals, played safe where their pension savings were concerned and invested in deposit savings accounts.

If such an experience was *repeated in the UK*, employees making their own pension arrangements would move more towards their building society than towards their *stockbroker.*

Mr Norman Fowler, the Social Services Secretary, who is responsible for introducing personal pensions, has been told by the Building Societies Association that societies should be allowed to market personal pensions direct to the public.

In this respect building societies are already established in the pensions field through additional voluntary contribution (AVC) schemes, which enable employees to top up company pension scheme benefits. Indeed, societies have nearly one quarter of the AVC market.

Here societies will need to tread with caution. On one hand the society would be marketing pensions; on the other it will be offering impartial advice on personal pensions to clients. There is a need to establish a barrier between the two sides of the business.

It would be only a short step from marketing pensions this way to selling pensions to the *self-employed*. Life companies have a monopoly in this field and a society wishing to offer savings plans to the self-employed has to do so through a life company link-up.

Coming under pressure

Irish Republic

BRENDAN KEENAN

IRISH building societies, which in many ways have been the country's most successful financial institutions of the last 10 years, are under pressure both from their great rivals, the retail banks, and from the Government. They are also preparing for what is seen as an inevitable convergence of financial services, and for the opportunities and challenges which will result from EEC liberalisation of intra-community competition.

At the heart of the pressure from banks and the Government are the societies' tax arrangements, which the banks see as unfair and the finance minister sees as depriving him of much-needed revenue. The societies do not disclose individual accounts but pay a composite rate of tax on their total deposits. January's Budget increased this to 85 per cent of the standard tax-rate, which means the societies will pay 29.75 per cent of total deposit interest to the taxman.

The societies say this will have to be passed on to mortgage rates on the grounds that cutting deposit interest would destroy competitiveness. They go further in arguing that the Government is unwise to pursue the supposed "hot money" in building society accounts.

"We should recognise the national paranoia and suspicion about taxation," says Mr Michael Fingleton, chairman of the Building Societies Association. "It's better that this money should pay some tax than leave the country."

The banks' growing envy of the societies confidentiality culminated in the takeover of the Irish Civil Service Society (ICS) by Bank of Ireland, despite Government and society disapproval.

The issue is being tested in the courts because the regulating authorities are unhappy that the arrangement breaks the principle of "mutuality" in society ownership.

The Bank of Ireland argues that mutuality, where the society is theoretically owned by the investors, means little in modern conditions and it is certainly true that the thousands of investors, with one vote each, have little effective control over the societies' operations.

The banks claim that a cartel among the societies has reduced competition and that the range of services offered is less than in Britain.

Bank of Ireland, while keeping the management of ICS separate, hopes to offer money transmission facilities, new types of loans and automatic bridging finance through the ICS branches.

The societies counter that they are precluded from offering many services by legislation and that if there is to be competition it should be open to all.

Their real fear is that the arrival of Bank of Ireland is equivalent to the arrival of the horse inside the walls of Troy. The Banks' arguments against confidentiality and composite taxation can only be strengthened if one of them actually owns a society.

The banks counter society arguments by pointing to the undoubted loss of market share for deposits to the societies, whose share of total deposits grew from 7.9 per cent to 16.3 per cent between 1972 and 1982.

The once cosy world of Irish financial services has been changing rapidly. The societies themselves have been affected by the popularity of guaranteed growth and income bonds which qualify for tax relief because they are linked to life assurance. These received a massive boost because of the belief that they would be curbed in the Budget. As it turned out, the Government was unable to draft the complex legislation in time.

The parliamentary draftsmen may have more pressing work in the years ahead. The trend towards financial products which transcend the old divisions is unmistakeable and irreversible.

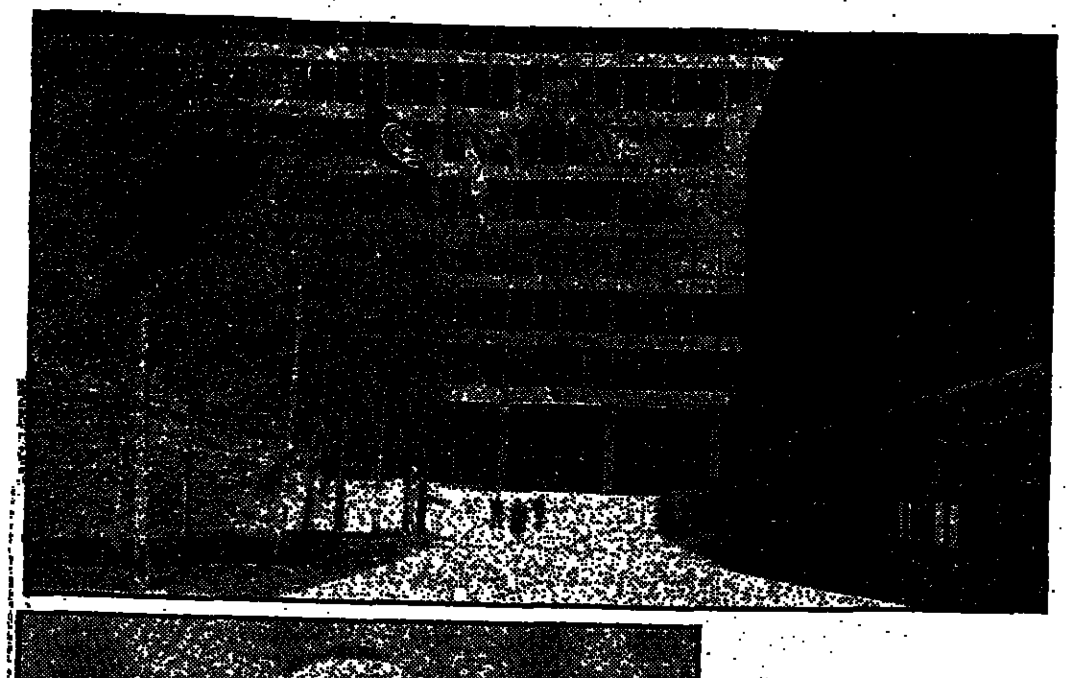
The Irish bank cartel is also breaking up, albeit slowly, and the banks already have interests in life insurance companies. Further de-regulation of both societies and banks seems inevitable.

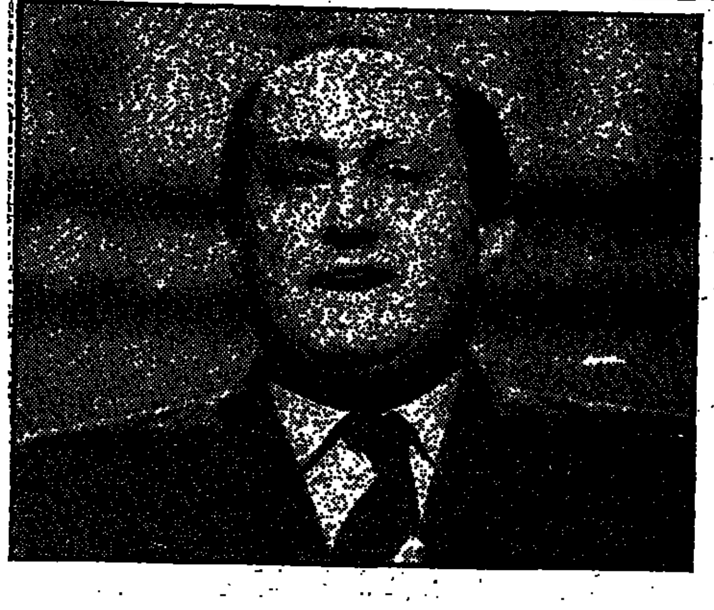
The next major change, however, is likely to come from the EEC, to allow societies to operate outside their home countries. The Irish societies, according to Mr Fingleton, see opportunity rather than danger in this development.

They are particularly interested in the Northern Ireland market, where net receipts were over £120m in 1983. They also see opportunities for attracting funds from Irish people living in Britain, who may like the idea of investing in an Irish society.

New opportunities will be important to the societies in Ireland, which have seen their assets grow by an average 20 per cent per annum in recent years. That is likely to taper off, as market penetration increases.

In the meantime the rivalry between societies and banks, which generates strong feelings at times, is likely to continue. The building societies have refused to join the recently-formed Federation of Financial Industries, which they see as a vehicle for pushing the banks' arguments. The customer, though, is likely to benefit as the antagonists jostle to compete for his business.





Above: Head offices of the Bank of Ireland in Dublin. The bank's takeover of the Irish Civil Service Society is likened to the arrival of the horse within the walls of Troy.

Left: Mr Christopher Tugendhat, who set out a plan to persuade the ten member states of the EEC to adopt mutual recognition of housing finance practices already in existence.

Breaking down barriers

Europe

QUENTIN PEEL

ONE OF the dying acts of the retiring European Commission in December was to unveil its plans to open up the EEC mortgage market. Its revolutionary intention was to make the whole range of different European methods of housing finance available to all.

The plan set out by Mr Christopher Tugendhat, the British commissioner responsible, was not to harmonise the different systems into one common norm, which has traditionally been the way the Community works. Rather he planned to persuade the 10 member states to adopt a mutual recognition of the various practices already in existence.

In addition, the Commission's proposal, if it is approved, would make available mortgages denominated in ecus, the Community's fledgling currency. This could provide some extra protection to those home-buyers in countries with relatively higher interest rates and inflation, against the depreciation of their currencies.

Inevitably, the proposal could take some time to work through the slow-moving EEC system. Both the Economic and Social Committee and the European Parliament have to express their opinion, before the Council of Ministers decides upon it. A relatively optimistic timetable might see it become European law before the end of 1986.

Nonetheless, the idea of not trying to harmonise a whole range of technical and legal details (in the process outlawing many tried and trusted methods of housing finance) but rather just legalising them all, should give it a chance of more swift approval. In addition, the plan has the enthusiastic support of the housing finance industry.

The essence of the plan is to abolish these laws in each member state which prevent their domestic home loan institutions from advancing cash against property outside the country, and at the same time suspending the operation of laws which might prevent foreign mortgage societies from lending in their markets.

It would enable building societies and the like either to set up in business in different countries—so-called freedom of establishment—or simply to offer loans in foreign countries from their home base.

The first people likely to benefit would be those mobile workers whose jobs take them to different countries in the course of their careers, but who would like to buy their homes using the form of finance with which they are most familiar. Others could be holiday-home buyers.

In the long run, however, Mr Tugendhat clearly believes that the proposal would encourage more competition between the institutions involved, across national frontiers.

The difficulties remain considerable. The most serious is undoubtedly the differing requirements of EEC governments in exercising control over the solvency of such institutions. Each would have to trust the others to police their own organisations strictly.

Other problems concern the definition of housing finance, and how to distinguish the forms of institution involved. The aim, Mr Tugendhat said, was to assist individual home buyers, not to finance major property developments.

"We are seeking to make available to consumers a wider range of means for property purchase and financing property purchase," he stated.

A shot in the ARM

The U.S.

WILLIAM HALL

WHILE THE average building society borrower in the UK has never known anything but the flexible rate mortgage, U.S. homebuyers are just getting to grips with an idea which is revolutionising housing finance techniques across the Atlantic.

"You can now go to five different lenders and get seven different mortgage loan plans," says Jim Kendall of the U.S. League of Saving Institutions, noting that over the last couple of years the number and type of adjustable rate mortgages (ARMs) being offered to U.S. homebuyers has exploded.

Many in the U.S. have hailed the advent of adjustable rate mortgages—the first major change in the way Americans finance their homes in more than 50 years—as saving the U.S. thrift industry from extinction.

Rising interest rates combined with substantial portfolios of fixed rate mortgages had pushed many U.S. savings and loans (the rough equivalent of the UK building societies) to the brink of bankruptcy in the early 1980s.

Even today, nearly a third of all U.S. savings institutions are losing money. But the move to adjustable rate mortgages has kept many U.S. thrift institutions alive at a time when many outside observers were doubting their ability to remain active lenders in the housing market.

Salomon Brothers, the U.S. brokerage firm, has estimated that the percentage of conventional mortgages made on an adjustable basis jumped from 37 per cent in 1983 to 61 per cent last year. Even though the drop in U.S. interest rates led to a reduction in the market share of adjustable rate mortgages towards the end of the year, most analysts believe that the switch to ARMs was the primary reason for the strength of U.S. housing starts last year. Only four years ago ARMs accounted for just 5 per cent of the conventional mortgage market.

However, the growing popularity of ARMs has been offset to some degree by growing public concern that lenders may have gone overboard in attempting to shift their interest rate risk onto borrowers. There have been frequent reports of angry housebuyers who were lured into taking out ARMs because of "teaser rates," only to realise they did not understand how these loans work or suddenly discovered that they might owe more than they originally borrowed if rates went the wrong way over the long-term.

Kevin Villani, a senior vice president of the Federal Home Loan Mortgage Corporation, says that "problems with ARMs arose because the pace of the ARMs revolution outstripped the capacity of both borrowers and lenders to fully comprehend the implications of this new instrument."

He points to two related areas of concern associated with ARMs—the potential for borrowers to lose their homes, and borrowers' misunderstanding of how ARMs work. He says that these areas of concern emerged because "a complacent attitude towards credit risk caused the underwriting community to drop its guard." Also the competition for adjustable rate business resulted in some lenders giving inadequate attention to credit-risk considerations.

Mr Villani warns that lenders should not assume that because foreclosure rates on fixed rate mortgages had been historically low, the same would be the case with ARMs. It is clear that some savings institutions offering ARMs with substantially discounted initial interest rates have been less than prudent.

However, the U.S. League of Savings Institutions has challenged the belief that ARMs are financially more dangerous than fixed rate mortgages for families. Last June it surveyed 1,100 saving and loans and savings banks to see how they performed with adjustable rate mortgages.

It found that more than 96 per cent of ARM loans have ceilings or caps on annual interest rate increases or annual mortgage payments to protect ARM borrowers from excessive increases in payments. It also found that underwriting standards for ARM loans are as tough or tougher than the standards for fixed rate loans.

It found that half of all the ARMs surveyed in June limited annual increases in interest rates to 2 percentage points and half of all the ARMs limited mortgage payment increases to a range of 5 to 7.5 per cent. It stressed that these low ceilings were put in place to protect borrowers.

Some 93 per cent of all ARMs had a lifetime interest rate cap and 85 per cent of these lifetime caps limited mortgage interest over the duration of the loan to a maximum of 5 percentage points.

Other points to arise from the survey included the fact that eight out of 10 mortgages adjust payments annually. A good deal of attention has been focused on ARM loans granted to borrowers who qualified at an initial promotional or discount interest rate, the so-called "teaser rates."

The survey found that 55 per cent of the ARMs were written on that basis but close to 40 per cent of the loans required the buyers to meet tougher underwriting standards than for fixed rate loans.

That means that the ratio of housing expenses to income, calculated at the initial rate, was expected to be lower than that for a fixed rate mortgage, so that the borrowers would be able to meet higher payments when the discount period ended.

The U.S. League of Savings Institutions stresses that "those who charge that ARMs will cause wholesale defaults do not seem to realise that neither the borrower nor the lender wants a default."

Paul Prior, the chairman of the U.S. League of Savings Institutions, says that "the ARM has kept housing alive today while interest rates for fixed rate loans, nationally, have moved into the 14 to 15 per cent range. In past years, housing went into a recession when mortgages reached that level."

Building Societies 6

Mr Tim Melville-Ross (left) takes over as chief general manager of the Nationwide on Monday. He is described as one of the few people capable of leading the building societies into new fields.

NatWest's rapid cash till (below). With Midland and NatWest agreeing to share their automated teller machines, customers have much freer access to cash within the UK.

Man with a wider social view

Mr. Tim Melville-Ross

MARGARET HUGHES

ON MONDAY Tim Melville-Ross takes over as chief general manager of the Nationwide Building Society, Britain's third largest with assets of £8.7bn.

At 40 he will be the youngest chief executive of any of the leading societies, and is widely expected to emerge as the outstanding personality in the industry over the next five years or so.

Mr Melville-Ross certainly seems to have everything going for him, not least his track record in the relatively short time that he has been in the building society movement, and his renowned charm.

Unlike Abbey National, which a year ago went outside the society in search of a successor to its controversial chief executive Clive Thornton, the Nationwide has chosen a candidate from within.

Even so Mr Melville-Ross was not the man immediately in line, nor is he a career building society man. True he has been with Nationwide for ten years but that is a relatively short time in building society terms.

With a degree in business administration and a chartered secretary's qualification his early career was in the oil industry. Mr Melville-Ross spent ten years with British Petroleum, mainly on the marketing side.

It was, he says, a "glamourous" job but after ten years hopping on and off planes the glamour paled somewhat. Deciding he ought to start "learning about money," he left British Petroleum to join stockbrokers Rowe, Swann and Company.

The timing, he comments ruefully, was "truly disastrous. I joined them a week before the outbreak of the 1973 Arab-Israeli war. With so many losing their jobs he judges himself very fortunate, as the last in, not to have been the first out. But with oil analysts much in demand his experience with British Petroleum saved the day.

Stockbroking at that time seemed nonetheless a precarious occupation to be in so he started perusing the job advertisements. "I spotted one in the FT for Secretary at Nationwide, applied for it and got it. I have to admit, however, that my reasons for applying were not very positive, more dictated by circumstances."

Invaluable

Uncertain though his time was at Rowe Swann the experience, he claims, was invaluable. "I am using it daily," he states.

Within Nationwide he has had a range of responsibilities, moving from Secretary to assistant general manager in the housing, planning and finance divisions. In June 1983 he was appointed assistant general manager responsible for housing. It is a field in which he has fast established an impressive reputation.

Mr Melville-Ross is regarded as the "architect" of the industry's first index-linked mortgage scheme and has been responsible for developing the society's direct role in housing through Nationwide Housing Trust, which he has headed since it was first set up in 1983.

Nationwide, along with Abbey National, has pioneered building society involvement in developing and renovating inner city areas.

Richard Best, director of the National Federation of Housing Associations, describes Mr Melville-Ross as "one of the few people capable of leading building societies into new fields."

"Tim Melville-Ross," he says, "is interested in more than just borrowing and lending money. He has a wider social view with creative ideas on how building societies' vast resources should be used. With Tim in high places I am confident that his competitors will be forced to follow his lead. For us that is good news."

Mr Best is not alone in singing the praises of Mr Melville-Ross. Indeed it seems impossible to find anyone who is not effusive in their appraisal — and that includes the normally highly critical Mr Clive Thornton. "As far as I am concerned there is only one man now who counts in the building society industry. Were I a young man today, there would be only one society worth joining, the Nationwide. There are too many clerical minds around," he says.

A man of great charm with an easy relaxed manner and no trace of arrogance, Mr Melville-Ross is much liked within his own society where having worked in several different divisions, he is well known.

In the wider world he is seen in the industry to be a good but tough negotiator. As one of his contemporaries commented "underneath that charm, or maybe because of it, he knows and gets what he wants. Combine that with his great height (he is 6 ft 6 in) and he seems literally to stride through all the problems!"

He is said to be "good at cooling hot-heads," reconciling differing views and finding the middle ground. That said he has a tough task ahead. A man of ideas he will have to persuade both his board above him and his staff below to back his new initiatives—and he has plenty of those in mind.

He takes over at a time when several of Nationwide's senior management are either about to retire or have already left. This gives him scope for bringing in fresh blood, though he emphasises that, thanks to Nationwide's policy in the 1970s of recruiting graduates as branch managers, there is plenty of talent within the society.

Nonetheless, he starts with a shortage of experienced personnel to provide the specialist knowledge which he admits he may lack himself.

"I am not an accountant or a financial expert," he explains. He relies on his instincts and judgments, which so far have held good.

As the new chief executive he is keen to grasp the new opportunities which legislation will offer on both the housing and financial services fronts.

He is, for instance, an advocate of societies building and owning houses for rental. In his view there is too much emphasis on owner-occupancy, particularly among the young. It often places too heavy a financial burden too soon on young people and reduces labour mobility.

While, naturally, not arguing against mortgage tax relief he believes that such a government subsidy should be applied regardless of tenure so that those buying or renting their homes benefit equally.

He places great emphasis on societies' social role, but points out that this should also help their commercial development.

"We must retain the public's perception of us as caring institutions. We must remain neutral in the political sense and not be too closely associated with capitalism and profit motive."

This, he maintains, is a powerful argument for staying neutral. He does not believe that societies need to convert to company status to undertake the higher risk activities proposed by the new legislation. And while stressing that building societies are first and foremost retail financial institutions "rapidly becoming personal bankers for the man-in-the-street," he is anxious that the distinction between banks and societies should be retained.

"We do not want to be cast in the mould of what the public perceives to be those nasty grey operators in the City," he states.

While Mr Melville-Ross' reputation in the building society world rests largely on his work on the housing front he has ideas for expansion on the financial side, too. He hopes to perpetuate Nationwide's pioneering role in the use of wholesale money markets, where it was first to issue both negotiable bonds and certificates of deposit.

He hopes shortly to take this one step further by issuing certificates of deposit in the Eurosterling market. If the Government gives societies the go-ahead to pay interest gross on Eurobonds, he would like to be one of the first to tap other Euromarket instruments.

Mr Melville-Ross is also the first building society chief to openly welcome the Green Paper's suggestion that societies should buy and sell shares — a reflection, perhaps, of his stockbroking days.

Inherited

It is an area which he believes societies have to move into. As owner-occupancy grows and more and more property is inherited he argues that societies will have to offer a wider range of investment opportunities to their customers "otherwise they wil go elsewhere."

With larger amounts of money to invest, customers will be looking for more than the traditional building society investment accounts. He sees societies selling unit trusts, insurance-linked investments, as well as stocks and shares, not merely acting as intermediares or a referral service but providing investment advice as well.

In the early days, at least, he envisages doing this through a tie up with existing stockbrokers, until such time as the society can develop its own expertise.

Nationwide has been busily branching out in new directions —more so perhaps on the housing side than the financial services front—but has tended to do so quietly.

Mr Cyril English, the retiring chief general manager, who will remain on the board, has been very much the active force behind the scenes. It is clear that under its new chief executive Nationwide will adopt a much higher profile.

It is to be hoped that the social commitment and disarming charm which Mr Melville-Ross brings to his new post will not be submerged in the harsh tough competitive new world which building societies are now moving into.

Savings battle to become more evenly matched

Competition

GEORGE GRAHAM

NATIONAL Savings gave the building society industry one of its worst ever shocks when it put on sale its 28th issue of savings certificates.

Paying 9 per cent interest tax free over their five-year life, the certificates swept investors in, and building societies saw their net inflow of funds dwindle last August to a fifth of the monthly average for the year.

But this summer interlude disguises the reality of the year as a whole. Overall, competing institutions such as the banks, National Savings and the unit trust industry could only wring their hands as building societies captured an increasing share of savers' money.

From April 6 this year the competition between building societies and banks will become more evenly matched. The banks have long complained that they are put at a disadvantage by the levy of tax at the composite rate of 25.25 per cent on building society accounts, when their own depositors have had to pay the full 30 per cent rate.

Composite rate tax (CRT) will now be applied to bank accounts too, and in general the 4.75 per cent advantage this brings is being passed on to the investor. After years in which the banks' gross interest rates lagged behind what building societies paid even after deduction of CRT, some accounts on offer at the high street banks now give keenly priced returns.

NatWest, for example, is currently outbidding the highest paying building society, the Peckham, on comparable balances, with the interest rates on its new Special Reserve Account. Midland's High Interest Cheque Accounts and Lloyd's Extra Interest Account are also neck and neck with the most competitive building society accounts.

But the real edge the banks have developed is in facilities such as cheque books and automated teller machines (ATMs). In this field they have comfortably outstripped the building societies.

With Midland and NatWest agreeing to share their ATM networks, customers already have much freer access to cash within the UK. And a recent agreement that could see the Visa, Eurocard and Eurocheque payment systems linking up opens the way for customers to get cash from machines all over Europe.

One opportunity that the banks seem to be passing up is the market for non-taxpayers' savings. They are refraining, possibly under pressure from the Inland Revenue, from promoting deposit accounts in their Channel Island branches, which could pay interest to children and other non-taxpayers without deducting CRT. This market is left to National Savings and its Post Office accounts.

National Savings is not having things all its own way, however. The success of the 28th issue of certificates showed that it could on occasion be the biggest threat in the savings market to building societies' dominance. But when it appeared to be cruising comfortably towards meeting its targets for the financial year, it was suddenly forced to issue a new certificate—the 30th issue, paying 8.85 per cent tax free—by January's rising interest rates.

But the department has been able to relax for much of the past year. Its target contribution to Government funding has remained fixed at £3bn a year for three years now.

As the element of accrued interest supplies an ever-growing portion of this figure, National Savings has not had to work so hard at ensuring an adequate inflow of funds. Its average net intake in the first nine months of the current financial year was only £71m a month.

One sector that has offered much better returns to the investor than the building societies in recent years is the unit trust industry. But it has laboured in vain to persuade people to move their money into unit trusts.

The Unit Trust Association, however, is still campaigning to persuade the public that £1,000 invested in the median equity income fund 10 years ago would by now have produced twice as much income as the same sum in a building society account.

At the same time, the capital value of the unit trust investment would have risen by 370 per cent.

The unit trust industry has attempted to capitalise on the interest in stock market investment created by the British Telecom launch. But it is also refining its products. Most groups now offer monthly savings plans and monthly withdrawal schemes designed to take advantage of the £5,800 annual capital gains tax exemption.

With life assurance companies now moving into the unit trust field, harder selling techniques may be on the way. But for many unit trust managers the dream is to be given the chance to sell their funds through building society branches.

Some people take investment more seriously than others

Take Ghengis Khan for example. He invested a considerable chunk of the known world, then wasted it by hoarding. Not the best investment strategy during the inflation caused by uncertain times.

Wiser investors recognise that a less headlong rush into the markets usually pays big dividends.

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PROPERTY

All the joys of home on the Costa Bovril

BY JUNE FIELD

AMONG the boats anchored at Marina Bay are those with Littlehampton and Plymouth registrations. Liptons' store on the quay has windows full of Bovril, Bisto and baked beans.

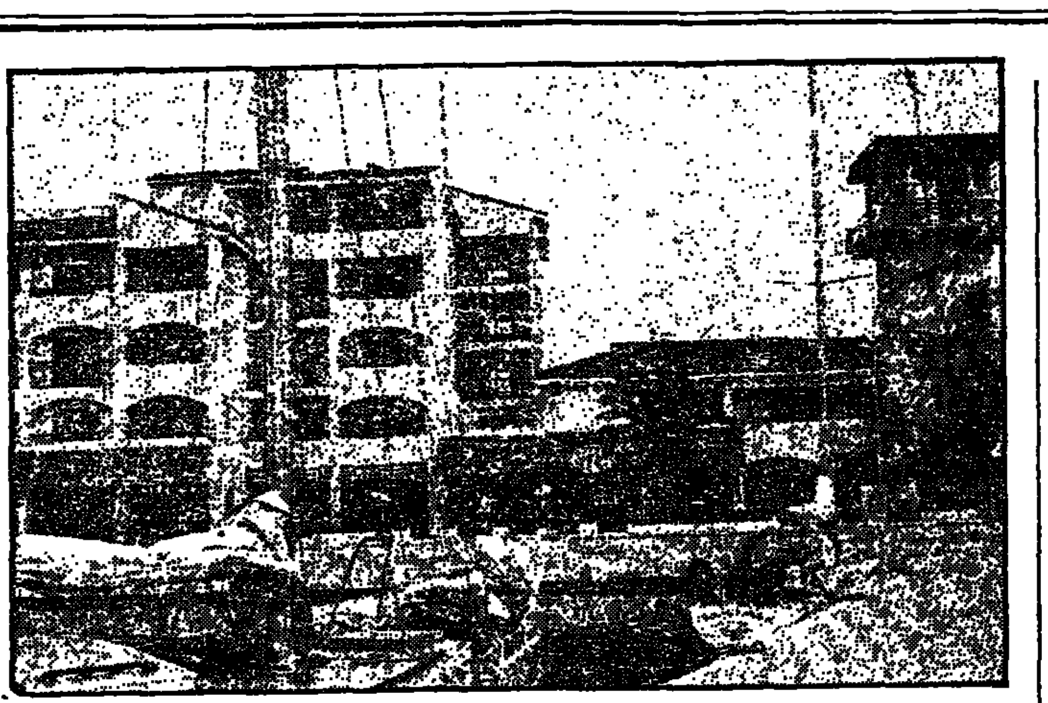
This is Gibraltar, not Britain, and even though it was Winston Churchill Avenue that I came to first, after being literally propelled across the Spanish border by excited crowds at the reopening the other Monday, the 30,000 population of the Rock are more colourful than in the south of England.

For a start, along with Anchor butter and McVitie's Digestive, the Gibraltarians also eat a fair amount of Spanish food, together with such Genoese concoctions deriving from their Italian ancestry as *calentita*, a sort of Yorkshire pudding made with chickpea flour.

There is a touch of the west country, though, about the 180-berth marina which takes yachts up to 120-ft long. It was created in the early 1970s on reclaimed land by the White family, one-time Bath-based builders, who also put up the Holiday Inn, 123-bedroom hotel *on Governor's Parade*, Gibraltar, now run by British chartered surveyor William White.

The Marina has now been sold to a Danish consortium headed by Herman Sauer, ex-gas container ships, whom I first met a couple of years back when he bought José Banus's Golf Hotel, the Las Brisas estate, and the Miragolf development on the Costa del Sol.

The Marina is going into its third phase, and on the residential side, centrally-heated studios are for sale from around £23,000, with larger apartments up to about £50,000 or so. The accommodation is on a 97-year lease, as only about three per cent of the 2¼ square miles of Gibraltar is in private hands; the remainder is held by the Government.



Marina Bay, Gibraltar, where furnished studio apartments sell from about £23,000 on 97-year leases

Some 35 per cent of dwellings are privately rented, and a part-furnished three bedroom, two *bathroom apartments* in the town was recently let at £140 a week to a local bank manager. Water charges will be £10 to £20 a month on top, as water, a *precious* commodity, is separately metered.

The management of these sort of flats in modern blocks has helped some of the less than *half-a-dozen estate agents on* the Rock to survive, since, as they put it, they were "locked-up," with the closure of the border to Spain in 1969.

I looked at property with Solomon "Momy" Levy, management specialist and estate agent on the Rock who is a fellow of ISVA (Incorporated Society of Valuers and Auctioneers), in Britain. Levy's listings, from his office in King's Yard Lane, include a studio at Ocean Heights for £13,000, and a three-bedroom flat at Trafalgar House, on offer at £37,000, with rates £102 a quarter, and service charges £300 a year. In Gardiner's Road, the area known as Beverley Hills, on the way up to the Rock Hotel, a four-bedroom terraced accommodation with a swimming pool is £130,000.

Construction engineer Abe Massias is convinced that the open frontier will attract UK residents to purchase property on the Rock, even though building costs are higher than on the Spanish coast, mainly because of expensive imported materials. "They will prefer to live in the infrastructure of a "British colony" offering British bobbies, British films, theatres, libarries, medical services and foods," he asserts confidently.

Of course there are tax advantages—there is no capital or gift tax, and special concessions for certain companies.

Future development is planned at Rosia Bay, historic for being where Nelson's body was brought in after the Battle *of Trafalgar* before being sent home, embalmed in wine. Further flats, shops and offices are intended as part of the Queensway Development, and at the end *of Main Street* with its duty-free delights, more shops and much-needed car parking are planned. For Gibraltar already has a traffic problem which can only be exacerbated with an influx of new residents.

There is some distinctive architecture in the narrow streets of the old town, mainly Georgian and Regency buildings with ornamental iron balconies, shutters, stucco and plaster facades. Some of the places are falling into disrepair, and the particularly active Gibraltar Conservation Society contends that "there is a wealth of under-used building stock with vast potential begging for sympathetic development."

The society felt so strongly about it that a couple of years ago they invited a SAVE team from England to come over and make a detailed report. The result is the excellent booklet, *Save Gibraltar's Heritage.*

The week's sales:

● Edward Heath, former Prime Minister, has bought the residue of a 10-year lease of Arundells, The Close, Salisbury, *from the executors of the late* Mrs Margaret Booth-Jones, for over £90,000. This was the house whose abortive sale I wrote about the other week. *Mr Heath says he looks forward* to moving into his elegant 17th century new home by the cathedral before Easter. Jackson and Jackson, Lymington, *acted on his behalf.*

● A Portsmouth businessman paid in excess of £250,000 through Jackson-Stops and Staff's Haslemere office for *Little Langley Farm in* six acres at Rake on the West Sussex / Hampshire borders. The old farmhouse was originally built as two cottages from the timbers of redundant *sailing* ships.

● Cricket Court, Grade II listed Regency house near Ilminster, Somerset, sold on the guide price of *£200,000* through the Sherborne office of Knight Frank and Rutley, has what is said to be one of the only remaining bear pits in England, plus an ice house, and parts of an old Norman tunnel in the 6¼-acre grounds.

● Note: To clarify the mix-up of two paragraphs in last week's column — Trafalgar House acquired the Comben Group last summer; and it was the Berkeley Group of Weybridge that went public on the USM.

An overseas syndicate has bought a 20-year lease of 54 South Street, Mayfair, for £½m through Pearsons London. The house, in five suites, is being refurbished back into one residence

TRAVEL

Arthur Sandles finds merit in 'intermediate resorts'

Forget snobbery—enjoy the snow

"NOT BAD little intermediate resort really . . ." Oh, what damning words they are, spoken usually by the sort of skiers who leave Tignes and Kitzbuhel stickers on their luggage. In *fact, of course, most* "little intermediate resorts" have a few tricks up their sleeves. The condemnation tends to come from those who believe a good resort is one that has several 5 km bomber runs. Great fun, true, but real skiing? Hardly.

On one wonderful day in the tiny village of Valloire last week we awoke to find there had been a deluge of snow—a rare event anywhere in the Alps this season. The whole place was covered in new snow, and the secret to this particular "little intermediate resort" was revealed.

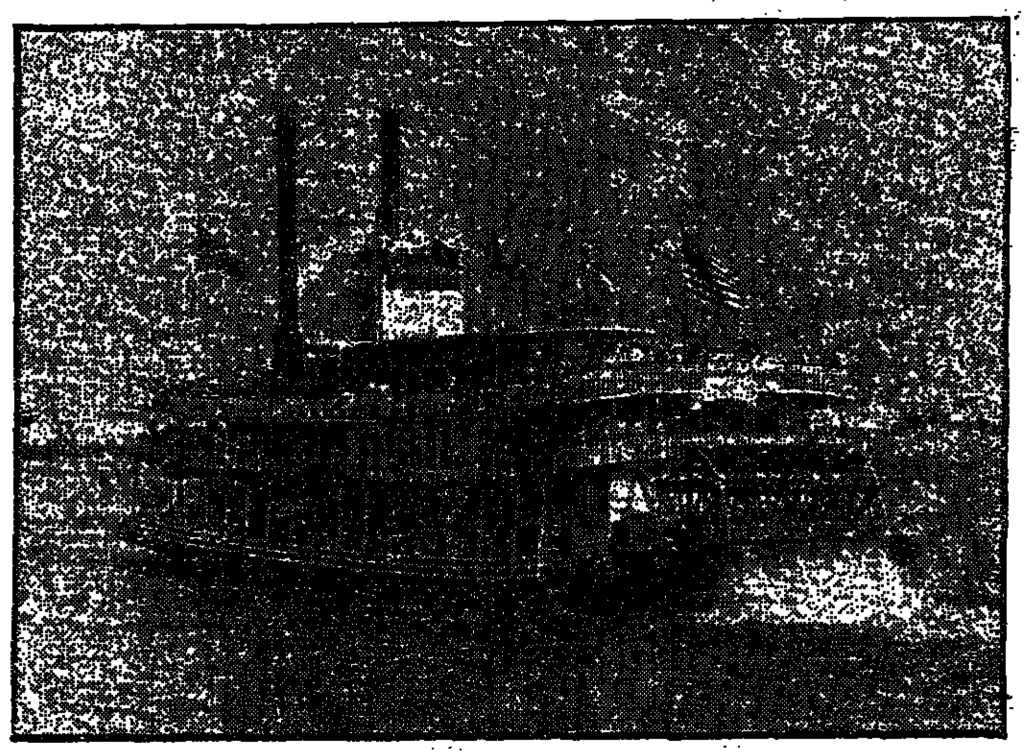
It was simply that there were suddenly whole vast open areas open to skiing and unpisted. A friend and I grabbed a slope, the Cret du Rond, and kept it virtually to ourselves alone for the day—let honesty rule, there were perhaps a dozen others. Because it is an "intermediate" resort, the sort of people who go there don't like deep snow. Had it been Val d'Isere or St. Anton it would have been carved up and destroyed by coffee-time.

Deep snow skiing is huge fun but requires a degree of self-confidence and determination at first. Much more attention has to be paid to keeping in the fall line and mistakes cannot be rectified by a quick application of a braking edge. The tumbles are soft and gigglesome and the pleasure of picking your way through trees, around huts, down gulleys and even over streams cannot be matched by the piste.

I am sure there are dozens of under-rated resorts around but Valloire is a notable one. It is a French village with a near Austrian feel of friendliness. It is inexpensive, there are dozens of good bars and restaurants and there are very few English there.

The British services seem to have discovered it; the Ski Club of Great Britain runs the odd party there; but the only UK tour operator I know of which runs a full programme to it is Ski Summed which helped me in my discovery. Catch it now, while it is still a little secret.

P.S. *Another* thank you to those who wondered how my car was rescued from the chill of Verbier a couple of weeks ago. I must relate that thanks *this time go to the* charming gang of John Morgan representatives and chalet people who noticed my plight. A four-wheel-drive vehicle was produced and *my* little saloon towed away into the warm where it perked up no end. Thus bribed, I have no hesitation in recommending this company *to all and sundry*. The chalet girls mix a mean Vin Chaud too.



A Mississippi steamboat pulls into New Orleans

Paddling down the Mississippi

JUST A few weeks ago, in the heart of New Orleans' French quarter, a small army of uniformed porters ceremoniously carried a red canoe to its final mooring in the garage of the Royal Sonesta Hotel. It was the end of a journey that had begun four months and 2,300 river miles away in Minnesota, near the Canadian border.

Not many people took our idea of canoeing the Mississippi seriously—until we arrived on the other side of the Atlantic armed with tent, sleeping bags, a set of cooking utensils and determination. From then on we were showered with dire warnings, encouragement, envy, advice and a library of material on every subject from fishing regulations to guidance on locking through the 29 locks between Minneapolis and St Louis. So, with the loan of a slender, 18 ft fibreglass We-no-nah canoe, Union Jacks fixed to its bows, we headed by car out of high-rise Minneapolis for the headwaters of North America's greatest river.

We found them in the now carefully preserved wilderness of a state park. It is a wilderness *that cannot have changed* much since Henry Rowe Schoolcraft traced the Mississippi in 1832 to the lake which he called Itasca, taking the central syllables of *veritas caput* ("true head"). For the first 65 miles the infant river remained gloriously untamed on its contorted course through marsh and wetlands forest, past pine ridge and upland hardwoods.

In four days we met half a dozen humans—canoeists or fishermen—but the wilderness air was restless with squeaks, warbles, grunts, howls and shufflings. We saw loon, bald eagle, muskrat, white-tailed deer; heard coyote; and cursed the indefatigable beaver whose dams regularly turned our journey into an assault course.

For much of the next 670 miles to St Louis, Missouri, the Mississippi was the *focal* thread of a national wildlife and fish refuge: 195,000 acres of marshes, wooded islands of silver maple, cottonwood, willow, and backwaters *along the state borders* of Minnesota, Wisconsin, Iowa and Illinois. Ranging in width from a few hundred yards to three miles, the river alternately wove through lonely labyrinthine channels or opened out into pools many miles long, down which on a bad day the prevailing south-easterlies could whip *up an oceanic turbulence.*

There were nights of diabolical storms in which we cowered within the 6 sq ft of our tent; a couple of times we were completely washed out. There were — occasionally — days of idyllic calm when a benign Mississippi bore us on a quickened current and the beauty was breathtaking.

While views of mankind were rare, the works of man were constantly nearby. Road and rail clung to either shore almost to St Louis and, however remote our camp, we were never out of earshot of the mournful wails of the trains on Burlington Northern or the Milwaukee Road.

When it wasn't the railroad, it was the throb of the towboats nudging convoys of up to 15 barges and a quarter of a mile *long along the narrow* navigation channel. From time to time we coincided with them as they eased into one of the locks which they filled like a sausage *its skin, an operation lasting* nearly two hours for the largest of them. Astonishingly, the whole machinery would swing into action for a solitary canoe that arrived in time, while up to 22,500 tons of cargo had to wait its turn.

Punctuating the narrow strip of land between river shore and *steep-wooded or rocky bluffs* were the townships which began as fur trading posts and saw the heyday of the steamboat, lumber and lead mining eras.

The railroad killed most of them but nostalgia clung to the mid- or late-19th century warehouses, brick mansions or clapboard houses in various states of preservation or neglect.

Everywhere, we were deluged with mid-west hospitality. In Davenport, Iowa, it was the Fourth of July. They whisked us off to celebrate our defeat joyfully among the balloons and popcorn, the family picnics, the brass bands, the political bandwagons and decorated floats.

In St Louis, with its soaring silhouette of the slender Gateway Arch, when we were roughly half way through our Mississippi canoe venture, we had the irresistible offer of a towboat ride to Memphis.

For the next three days and 400 miles, we listened tirelessly to the river yarns of the captain and pilot who had had to draw *every inch of the river charts* from memory before they got their licence. At night, the dark river was another world of black shapes and navigation lights and *searchlights probing rocky* banks or picking out the channel buoys.

Over the marine radio, captains reported their positions, *exchanged brief jokes or news,* one eye on the ceaseless amber sweep of their radar. Out of the darkness, our Captain Kenny Dae's quiet [illegible]

"You'll find it's a different river when you get back on. Lonely. I'll look out for you."

Mr Dae had been right; it was lonely. In the 500 miles from *Memphis* to Baton Rouge, the riverside communities could be counted on the fingers of one hand.

We camped on sand bars, hauling the canoe up as close as possible to the little tent which became our private pocket of civilisation in a world dominated by the massive personality and changing moods of the river—hostile in the violence of its storms, suffocating in its daytime heat and humidity, pure magic on a calm evening as the sun dropped in a streak of gold across the water and little groups of waders, geese, storks winged overhead on an age-old migratory route through the heart of the continent.

Beyond Baton Rouge we decided to escape from the traffic, now of ocean-going proportions, and the petro-chemical plants paraphernalia which have changed the face of the Mississippi countryside much of the way to New Orleans. Instead we turned south into the bayous that thread the remote soggy world of the delta. For nearly 100 miles we followed Bayou Lafourche, called "the world's longest main street" because of the homesteads that line it almost all the way. Today there is a road on either side, but once the bayou provided the only means of access to communities that still live largely off sugar cane, shrimp, oyster, crawfish, crab and now, increasingly, the ramifications of *big oil* business.

Wander off the main bayous, though, and you're likely to disappear for ever in a wilderness of cypress swamp and floating marsh that eventually succumbs to the open sea. From Houma we took a swamp tour with Annie Miller for a glimpse of those primeval landscapes and the alligator, nutria, turtle, heron and ibis who know how to exist in it.

Along the main bayous we also met the Cajuns, direct descendants of the French-speaking Acadians so savagely expelled from Nova Scotia by the British in the 1750s. Boat-minded, they seemed enchanted by our appearance in the little red canoe. "Where y'all from?" and "Where y'all going?" they yelled at us from the banks of the bayou. "From England" and "to the Gulf of Mexico" we yelled back, confident at last that we would get there.

Guido Mislata [illegible]

TRAVEL

Arthur Sandles advises on where travellers should go to mix business and pleasure

The stopovers that offer rest and relaxation

THERE IS A MOMENTARY pause, the worst is expected; but . . .

"You've done some good work lately. Why not take a couple of days off this time on your way back. Get some rest . . . play a bit of golf."

"Yes sir, thank you sir," Blenkinsop mutters, backing out of the room.

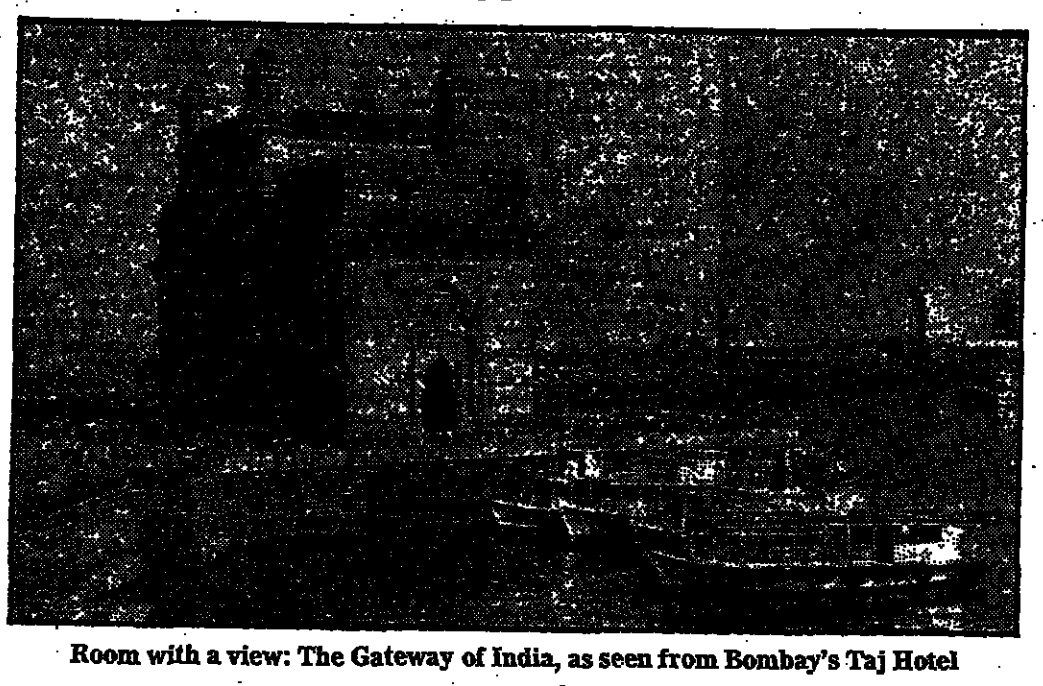
It is, of course, a great idea. A few days relaxing on some beach on the way to or from Australia, Tokyo or Caracas. In practice, however, it is fraught with difficulties—the airline that allows stopovers but has only one flight a week to the named destination; the airport that is too far from anywhere worth staying; the ticket has stopover limitations.

International air routes are not dissimilar from rail systems. On British Rail you always go through Swindon or Crewe. Wherever you fly in Europe you always seem to end up in the transit lounge at Heathrow, Schipol or Frankfurt; in the U.S. I know very little about the city of Atlanta but I know its airport like the back of my hand. Salt Lake City and St Louis also seem to pop up with considerable frequency. Cross the Pacific and it's "hullo Anchorage, Honolulu and/or Nadi"—with some crafty carriers like Air France and Air New Zealand plumping for Tahiti.

Amsterdam's great plus as a stopover city is that it demands very little of its visitors. It is a city for strolling. Yes, you will have to tick off the essential visitor attractions in order to stand tall when you get back home—the Rijksmuseum, Rembrandt's House and the Portuguese Synagogue should be enough—but after that you can just take in the little streets, the cosy "brown bars" of the Jordaan and even the Red Light district where, with true Dutch practicality, the ladies of the night sit doing their knitting while waiting for custom.

I think I would plump for the Hotel Pulitzer which, I am told, is still as good as I remember it and which is centrally placed.

Taking a leap eastwards, and still keeping hotels in mind, the Taj in Bombay is an obvious choice. You will naturally go for the old wing, trying to get a room which gives you a view of the Gateway which mine, recently, did not. I only hesitate over recommending Bombay for a stopover visit for this is one



Room with a view: The Gateway of India, as seen from Bombay's Taj Hotel

place where you have to work to make the most of your stay, and where all the sights you see are not necessarily pleasant ones.

The run from Bombay airport to the Taj presents the visitor with scenes of appalling poverty.

Bombay is not a restful city. It does, however, give you an instant taste of India, both figuratively with its colour and confusion, and actually in that the food in Bombay is of a spectacularly high standard. Take local advice on where to eat Gujarati dishes, but do not miss the Moghul Room at the Oberoi (and stay there if you cannot get into the Taj) and the Tanjore at the Taj.

Do not miss either a trip to Ajanta and Ellora (see them in that order) which are astonishing man-made caves with carvings and pillars, Buddhas and elephants. The trips take time, and mean an early start, but do not pass them by.

Once you have seen the Ajanta and Ellora carvings then the Tiger Balm gardens in Singapore might seem a huge disappointment. They are; don't bother. Singapore (and Hong Kong, for that matter, but more of that later) is not necessarily a wonderous place for rest and recuperation anymore, so much as an oasis of efficient high standards. To arrive in Singapore after the business hassles of Indonesia, or the trials of the Philippines, is to breath a vast sigh of relief.

"The best goddam organised place on earth," said an American with whom I shared a taxi from the airport a couple of months ago.

You would choose Singapore for a stopover for its sophistication, its cleanliness, its excellent cuisine, its good (but not cheap) shopping and its hint of the east.

The negative side of Singapore is the weather. It rains a lot, particularly in November-January.

Singapore's main rival for stopovers in this region is Hong Kong, a destination of considerably greater excitement and scenic beauty. The stopover visitor is immediately faced with the decision of whether to stay on Hong Kong itself or in Kowloon. These days I would plump for the latter unless I intended some business meetings as well.

This then leads to a choice between the Mandarin and the Regent. It is like trying to decide between classic cooking and nouvelle cuisine—it is all a matter of taste. The delight of this decision, however, is that you cannot make a mistake.

Hong Kong is a relaxing stopover destination in spite of its pace. The visitor, with no particular purpose but to relax, can simply sit back and enjoy the constantly changing vistas of the place. The junks in the harbour, the hurry and hubbub of the shops and markets, the parade of the prettiest, and best dressed female office workers in the world each rush hour on the Star Ferry.

Islands of the Pacific which require no additional flights and feature on many an airline schedule include notably those of the Fijian group and Hawaii. Once again the choice is a difficult one. If the decision were based on a need for sheer relaxation and particularly if there were not much time available, the choice would be Fiji, and the stay at the Fijian Resort Hotel.

Fiji has somehow missed out on the romantic connotations of other islands and groups of islands in the Pacific. Tahiti, yes, Bali, yes, but Fiji? Perhaps it is that nation's British background. But it is a land of beauty, of friendly, and fiercely proud, people.

Honolulu is a completely different kettle of chowder. It is fun enough if beaches and bustle are your thing, but the best thing about it is the fact that the airport provides frequent services to the other Hawaiian islands. Two are my particular favourites, Kauai and Molokai.

For the first time visitor I think I would urge Kauai. It is everything that you imagine the Hawaiian islands to be. The scenery is magnificent, with the huge Waialeale volcano in the centre offering not only the wettest spot on earth (471 inches of rain a year) but also, as a result, a network of tumbling rivers and streams, canyons and gulleys. It is a scenic feast.

There is some risk in recommending Molokai because it is not everyone's cup of tea. There are beaches, surf, and a volcano, but nothing is quite as dramatic as on Kauai.

Beware the Palaau State Park and its Phallic Rocks, dauntingly accurate in clinical detail the natural formations are said to have a rapid effect on those who view them. Clearly something to take the spouse along to see as well.

And so further west to mainland America. Students of my own enthusiasms may have noted the absence of ski resorts as yet, but I am about to rectify that omission. Anchorage, even with its new transit terminal, is more than just a dot on the map between Prestwick and Tokyo, surrounded by glaciers and oil wells. The city itself is surprisingly pleasant and well worth attention.

In winter, however, it is remarkable how many airline crews get off their jets complete with skis and head for a few days at Mt Aleyska. This virtually unknown ski area offers excellent skiing and very little risk of a lack of snow.

Further south the choice is more obvious—San Francisco rather than Los Angeles, unless you have friends in LA.

New York is clearly the eastern seaboard choice for almost all the year. It may be a little too hot in high summer, and in the autumn it may be better to head for Boston from which it is easier to catch a view of the Fall.

If you are travelling towards Latin America then you have a wide choice in the Caribbean. I must offer a thumbs down to Kingston and to Trinidad. I would go instead for Antigua, which is on some routes, and stay at the St James's Club.

So, Blenkinsop, its a tricky choice.

"Well sir . . ."

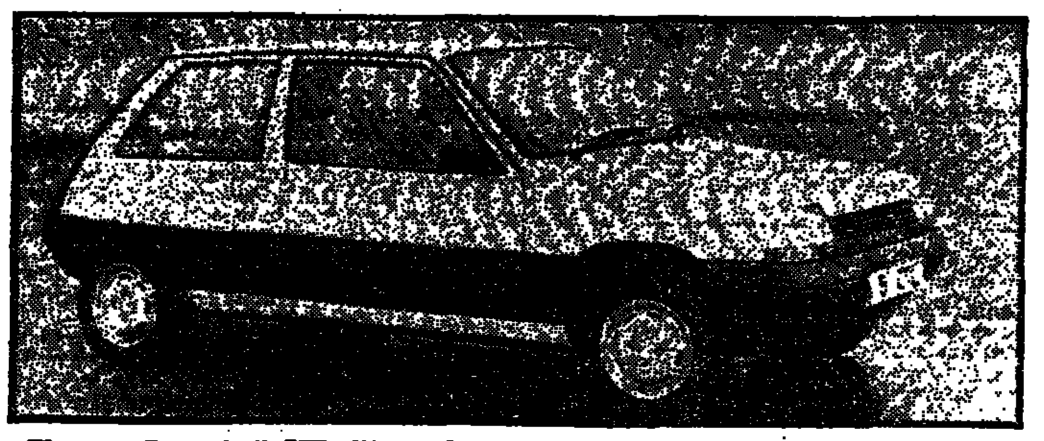
"Yes, yes."

"I was wondering . . ."

"Wondering what?"

"Can I take my husband?"

MOTORING



The new Renault 5 GTL. The looks are familiar but underneath the sheet metal, everything has changed

New structure in an old package

BY STUART MARSHALL

WILL THE "born again" Renault 5 be as big a success as the first one, which made its sensational debut in 1972 and has only just been phased out to make way for the look-alike new car? I think it is doubtful, because market conditions have changed.

The old 5 got away to a flying start because it was unique—the first hatchback supermini, engagingly styled and competitively priced. There was nothing else quite like it; even Fiat's 127 supermini didn't get a tailgate until a year or two after its launch.

But now the supermini market is crowded with attractive rivals—the Peugeot 205, Austin Metro, Honda Civic, Ford Fiesta and Fiat Uno, to name only five obvious ones. The new 5 is a vastly better car than the old one. Its transverse engine makes a spectacular difference to interior space because the old one's fore-and-aft engine projected back into the cabin to make room for the gearbox, which was up by the radiator.

The windows are much larger; the rear suspension gives an outstandingly good ride. The steering is light (which the old 5's was not) and the impression one gets of driving the new 5 is quite different. It feels a larger and more spacious car altogether, though in fact it is hardly any bigger—a mere 2½ ins longer and wider. The effortless steering makes it even easier to park.

So why my doubts? Because the styling of a very high volume car has to last a long time. A sex symbol may get away with the same kind of clothes at 30 as she wore at 17—but at 40? In ten years time, which is not long in the life of a car with a planned 2,800 a day output, the look-alike new 5's styling may appear desperately old fashioned.

Looks are, of course, not everything, though I know more than one person who won't even contemplate buying a Ford Sierra because they say it reminds them of a jelly mould.

Whatever they feel about the 5's looks, prospective buyers will be impressed by the pricing and claimed fuel consumptions. The cheapest four-speed 5 TC costs £3,845, the poshest 5 TSE 5-speed £5,895. (A Metro City is an idea of the Renault's competitiveness). Engines range from a 956 cc 42 horsepower to a 1,397 cc giving 60 bhp in the 5-speed manual 5 GTL, 68 bhp in the automatic and 72 bhp in the 104 mph 5 TS and TSE.

Average fuel consumptions are, Renault says, between 41.5 mpg in the automatic and 56.5 mpg in the TS and TSE. Much depends on how they are driven. Averages when I sampled right-hand drive Renault 5s in bitter weather a few weeks ago were not so good—(one leaden-footed colleague managed 30.9 mpg, in a GTL while another obtained 61 mpg).

Driving a GTL as though I had paid for it with my own money, I returned 54 mpg and would reckon to duplicate that on any journey.

● Glo-Wand, the latest idea in emergency lighting for road users, is based on those things like fluorescent tubes which airport ground control staff wave at pilots when telling them where to park. A torch base is fitted with a yellow plastic extension which glows non-dazzlingly in the dark. For a bright light, simply pop-off the end. A collar round the middle reflects headlamp beams.

It could be ideal, say, if you were walking along a motorway hard shoulder to an emergency phone at night. A passing police car would know at once you were on foot and in trouble. Suitable for anyone who wants to be seen clearly at night, Glo-Wand costs £8, plus batteries, post free from Vee-Con Plastics, Burgh Heath, Surrey (Tel. 56501).

Also in my car now is a Chubb fire extinguisher holding 1 kilo of Halon, held to be the most effective medium for fighting petrol, oil or electrical fires. Chubb says it kills fire instantly and is safe to use because its toxicity is low. The trouble with extinguishers is that you can't be sure how good they are until you use them but Chubb knows the business.

As Pyrene, it sold over 21m of its familiar pump-action models. The new 1 kg extinguiher costs £15.70, bracket and VAT included. Mine fits nicely in the Peugeot 305's glovebox. Details from Chubb at 01-370 4381.

● Letters are flowing in from physically handicapped readers following my appeal for help for Mr R. J. Edmonson, of Llanfairfechan. He has a stiff hip and wonders what to replace his present Volvo 164 with. It allows him to drive comfortably but is worn out after 14 years and he wants a smaller car anyway. He must have automatic transmission and his price bracket is £5,000 to £7,500.

Solitary Old Fitz

BY ANTHONY CURTIS

With Friends Possessed: A Life of Edward FitzGerald
by Robert Bernard Martin. Faber & Faber, £17.50. 314 pages

Here I am, an old man in a dry month
Being read to by a boy . . .

It never occurred to me, until I read this book, that those lines from T. S. Eliot's "Gerontion" were inspired by the last years of Edward FitzGerald. From the age of about 40 his sight began to fail: it was not helped by the calligraphy of those Persian manuscripts he would pore over for hours nor by his insatiable love of reading novels and poetry; and so he hired the young sons of East Anglian craftsmen to come to his cottage and read to him for a couple of hours. He gave them Dickens, Wilkie Collins, Trollope, Scott. It was good practice for them, with a princely shilling to take home at the end. FitzGerald enjoyed it, gently amused by the mistakes they made.

T. S. Eliot found the story of FitzGerald and his boy readers in the 1905 biography by A. C. Benson, as Frank Kermode pointed out. Since Benson's sketchy Life there has been a comprehensive one by A. McK. Terhune in 1947, followed in 1980 by a massive edition of *The Letters of Edward FitzGerald* (he was a prolific correspondent) in four volumes from Princeton. The main facts of FitzGerald's life, above all the story of how at his own expense he published the *Rubaiyat* with Quaritch, the bookseller who confined it to the penny-box until it gradually took off to become the great poetry best-seller of the 19th century, have been set down several times.

Why then do we need another Life? Well, as should be clear from the above, Robert Bernard Martin, has a keen eye for detail, and if the facts are not in dispute, interpreting them still offers plenty of scope. "Old Fitz," as Tennyson called him in the one poem he wrote about him, interrupted by the news of his death and turned into a sort of epitaph, must have seemed a natural sequel to Mr Martin after his *Tennyson: The Unquiet Heart* which appeared to much acclaim five years ago.

The Tennyson brothers were part of the student population of Cambridge when FitzGerald was an undergraduate at Trinity in the 1820s, though he did not become a close friend of the poet's until he had gone down. His Cambridge friends included Thackeray, William Donne (later Librarian of the London Library), John Mitchell Kemble (son of the actor, brother of Fanny), John Allen, son of a clergyman, and James Spedding, who devoted his life to editing the work of Francis Bacon.

The story of FitzGerald's life is, as Mr Martin says, largely the story of his male friendships. He flourished as the non-competing centre of a small circle of bookish, clever, learned, musical, ale-loving men-friends. When the original Cambridge circle dispersed into the real world he kept in touch with many of them by letter, on and off for the rest of his life, and he replaced them by another set in Suffolk, where he lived in isolation from the great house belonging to his family.

FitzGerald did not need to compete in the world because his parents were extremely rich. They came from families with estates in both England and Ireland; even before the death of her father, FitzGerald's mother inherited an enormous fortune in her own right. Apart from having to accompany Mrs FitzGerald to balls and the opera (she was very grand, very striking-looking and very social), duties which Edward found irksome, her son was left in peace for the rest of the time to pursue his literary studies in several languages, and with a more than adequate allowance. Is there not a pattern here of a life-style echoed a generation or two later by E. M. Forster?

Like Forster, FitzGerald was generous to friends less well off than he was. The most celebrated recipient of FitzGerald's generosity was Tennyson whom he helped survive with a number of large "loans" until he had established himself as a poet. Mr Martin suggests that the cooling of the friendship in middle age, and FitzGerald's professed dislike of Tennyson's later poetry, may have been on account of what FitzGerald considered to be inadequate gratitude. This seems out of character to me.

FitzGerald, like Forster, felt comfortable in shabby clothes and in the company of unpretentious people; but unlike Forster, FitzGerald was unable to admit, even to himself, that he was a homosexual. On one occasion, in what one can only believe to have been a fit of absent-mindedness, he got married to the daughter of one of his men friends. Legend has it that the friend had on his death-bed exacted some kind of promise from Fitz that he would wed his Lucy, but Mr Martin discounts that and says, rightly, we shall never fathom the reasons for the marriage. It only lasted a few weeks and, though he made his wife a generous allowance, he never spoke to her again save when they met once by chance. She seems to have remained fond of him, however.

All his emotional (as well as financial) capital was invested in men, sometimes men who were a part of the learned circle but in two of the most traumatic instances outside it from a different social class altogether.

FitzGerald as a young man — from a watercolour by Thackeray.

The first of these was with a young man of 16 with whom FitzGerald struck up an acquaintance when they were both passengers on the steam packet from Bristol to Tenby, William Kenworthy Browne. This investment yielded dividends for a number of years in the form of holidays together and outings until eventually Browne married and passed out of his mentor's life. He was followed by Edward Cowell a much more academic type who introduced Fitz to the Persian poet whose work he was to transmute into the plangent, hedonistic mnemonic verses that won him lasting fame and captivated several subsequent generations; but eventually Cowell, too, married and found employment in India.

Each of these marriages left FitzGerald emotionally bereft and shattered without his fully realising what was happening to him. He became rather eccentric, wearing a plaid shawl and spending much of his time sailing off the East Anglian Coast, and hobnobbing with the fishermen. Inevitably, he formed an emotional attachment to one of these men, "Posh" Fletcher whom he got to sail his boat, and with whom he set up a partnership, buying him a herring-lugger and hiring a crew to fish on a commercial basis. It failed in every respect, and in the end FitzGerald was left alone with only his books and the survivors of his circle as solace. His growing reputation in the literary world was more of an embarrassment than a comfort.

Mr Martin paints a rich portrait in cool, unsensational colours but with a great variety of light and shade that is well suited to its odd but endearing sitter. I hope he may be persuaded to give us next a compact selection of FitzGerald's letters in a format aimed at the ordinary reader.

Liberal editor

BY DOUGLAS JAY

No Ordinary Press Baron: A Life of Walter Layton
by David Hubback. Weidenfeld and Nicolson. £9.95, 271 pages

Not only was Walter Layton "no ordinary press baron," as David Hubback calls him in this biography; he was also no ordinary civil servant, and no ordinary economist, editor, statistician, and political crusader. Making judicious use of Layton's draft memoirs, still unpublished when he died in 1966, Mr Hubback has written a full but highly readable record of a long, distinguished and unconventional career.

Layton sprang from a Victorian non-conformist family of musicians and schoolteachers, and as a Windsor Chapel schoolboy sang at Queen Victoria's Diamond Jubilee. Success came first at Cambridge where he was a pupil of Alfred Marshall. Among his colleagues then were Keynes and Pigou, and among his pupils Laurence Cadbury and Hugh Dalton. His association with the Economist started with an article in 1908 and lasted (with a few gaps) for 58 years until his death. It was first interrupted in August 1914 when the Editor (F. W. Hirst) opposed the British declaration of war, and Layton promptly resigned. His *Introduction to the Study of Prices*, which became a classic, had been first published in 1912.

But Mr Hubback rightly sees Layton's finest hour as his work —nominally as a statistician but actually as overall planner and general adviser—for Lloyd George and Churchill at the Ministry of Munitions in 1915–1918; in which job he visited Washington, Paris and Petrograd, and worked with the ubiquitous and indestructible Jean Monnet. With this wartime reputation, Layton became editor of the Economist in 1921 and, at the request of his ex-pupil Laurence Cadbury, Chairman of the newly merged News Chronicle in 1930. Both jobs were somehow combined with substantial work for the Liberal Summer School and (with Lloyd George and Keynes) the Liberal Yellow Book. But the two papers were each successfully earning profits during the 1930's. The Economist, with a circulation of only 5,000-6,000 in 1933, started its long and rapid rise from about that moment.

In the Second War Layton was again recruited by Churchill to plan the munitions programmes, but this time left statistical details to his staff and concentrated on the overall integration of U.S. and UK capacity; for which he laid the foundations—again with Monnet —in Washington in October 1941.

Layton personally was a man of paradoxes, as Mr Hubback, who knew him well, faithfully records. Shy, diffident, often indecisive, and almost self-effacing, he was also persistent, determined, high-principled and unyielding. His friends included not merely Salter, Keynes, Beveridge, Cadbury and Monnet, but Churchill, Lloyd George and Beaverbrook—the last of whom clearly respected him greatly. Geoffrey Crowther once said of Layton that he ran the Economist and News Chronicle by means of "pregnant silences on the telephone." Yet he remained editor or chairman of both papers, on and off, for nearly 40 years, largely because his decisions, when they were made, were respected by all. Politically Layton was a Liberal from start to finish, but not an old-fashioned laissez-faire Liberal; and he backed expansionary policies based on low interest rates throughout the 1930's.

The collapse of the News Chronicle in 1960, described in detail by Mr Hubback, was a sad blow to Layton, and of course he and Laurence Cadbury were blamed for it by some. In retrospect one can see that this whole tragedy, together with the extinction of the Daily Herald a year or two later, were part of the irresistible slide of Fleet Street in the 1960s into a world where a mass market only existed for tabloid entertainment sheets. Market forces took charge.

In earlier years, when hurriedly amending his younger colleagues' leaders on the Economist, Layton used neatly to blur the sense and defuse the passion by simply adding at the end the words: "Time alone will show." More time, however, will not now be needed, I think, to establish his reputation as a man of no ordinary achievement. This well-written and very competent biography has put that beyond doubt.

FICTION

Mayhem among the knives and forks

BY NICHOLAS BEST

Monsieur Pamplemousse and the Secret Mission
by Michael Bond. Hodder and Stoughton, £8.95. 208 pages

The Final Passage
by Caryl Phillips. Faber & Faber, £8.95. 205 pages

Across the Water
by Grace Ingoldby. Michael Joseph, £8.95. 182 pages

The Out-haul
by Alannah Hopkin. Hamish Hamilton, £8.95. 198 pages

There is more than a touch of Peter Sellers in the eponymous hero of Michael Bond's *Monsieur Pamplemousse and the Secret Mission*. Banished from the Sûreté for farcical reasons, followed everywhere by his faithful bloodhound Pommes Frites, he earns his living now as an undercover inspector for *Le Guide*, France's most prestigious restaurant publication. It is a job not without pitfalls, as he discovers when he sets off to check out a truly appalling Fawlty Towers establishment owned by his employer's aunt.

The menu is abysmal, the plumbing unfathomable, the public lavatory a menace to life and limb. Every failing is duly noted by Monsieur Pamplemousse and concealed in a secret compartment in his trousers. He misses nothing of what goes on around him. And like the trained sleuth he is, he soon discovers that there is *something very peculiar about* the Hôtel du Paradis, that prompts its guests to behave in a very unusual manner.

Why does Pommes Frites break loose one night and rape 13 of the local bitches? Why do the girls from the village band converge excitedly on Monsieur Pamplemousse, tearing off their clothes as they run? What exactly did the *previous Guide inspector get up* to at the nearby convent to make him lose his job? We are into a Tom Sharpe-style romp here, a little strained at times, nicely conceived, amateurishly executed. The author has already made his mark as a highly successful writer of children's books. For the adult market, just as difficult in its way, he needs to raise his game a couple of notches.

The same goes for Caryl Phillips, a young British-West Indian—his family came here the year he was born—whose first novel *The Final Passage* is billed by the blurb writer as a unique and moving statement of one of the great social predicaments of our time. In fact it tells the story of Leila, her faithless husband Michael, their life together in the Caribbean, and their decision in the late 1950s to come to Britain, a far away country of which they know little.

The heart of the story is Leila's unhappy marriage, and the bulk of it is set in the Caribbean, a place as unfamiliar to the author as Leeds and Birmingham must have been to his family. He is on shaky ground in his evocations of time and place, shakier still in his excessive use of flashback, a confusing device that frequently detracts from the narrative impetus of the plot.

At his best though—on his home ground, England—he deals coolly and dispassionately with Leila and Michael's arrival at Victoria station, their culture-shock, the endless euphemisms to explain why rooms are no longer available for rent. A familiar enough story, full of disenchantment, but told without bitterness or rancour—the author is too canny to lay it on with a trowel. He is more interested in his central character's state of mind than in the great social predicaments of our time.

Across the Water is another first novel, this one from Grace Ingoldby, an ambitious tale of life in Fermanagh during the long, hot summer of 1976. The central character is Boyle Hamilton, a mildly barmy 40-year-old (although he was at school with Mark Robbins, a captain in the British army, *ipso facto much younger*) who lives in the big house with his father, yet maintains a friendship bordering on love with a 17-year-old Catholic youth suspected of complicity in their neighbour's murder.

Boyle's younger brother Desmond, a London playwright, returns with his wife to spend the summer making a television documentary about Celtic stone carvings. Various goings-on culminate in a melodramatic climax which is signposted well enough yet fails to convince, as unfortunately does much of the rest of the book. *Across the Water* has all the makings of an interesting story, but has not been properly thought out before being committed to paper.

Alannah Hopkin's second novel *The Out-haul* is also set in Ireland, at a remote holiday resort in the wilds of West Cork. Celia, fat and divorced, is drawn to it by the sound of the tide going out—the out-haul—and by the earthy charms of her horse-loving landlord Jimmy Lordon.

The drama, like their romance, unfolds slowly at first:

> Celia was glad that Jimmy had left the old black and white television on top of the dresser in her house. She bought the RTE Guide every week and encircled with red biro the programmes that she intended to watch. There were not many of these.

Ho hum. Later the action hots up, particularly at Lily's bar, but never enough to compensate for the author's soporific use of narrative as a substitute for old fashioned pace and excitement.

Mainliners

BY CARLA RAPOPORT

The Fix: The Inside Story of the World's Drug Trade
by Brian Freemantle. Michael Joseph, £10.95. 303 pages

Drug addiction is a problem of heart-breaking proportions. Yet the international network of suppliers, dealers and pushers continues to elude the combined legal muscle of some of the richest countries in the world.

Sadly, journalists continue to believe that writing up the horrible details of the illegal drug trade will somehow help to put a stop to it. Mr Freemantle, a former foreign editor of the Daily Mail, is clearly of that school. His book is packed with the minutiae of drug racketeering from Cuba to the Khyber Pass. Unfortunately, the result is no more likely to relieve the problem than an aspirin would help re-set a broken leg.

Part of the reason for this failure lies with Mr Freemantle, part of it lies with the rest of us. Taking the author's part first, *The Fix* is unattractively written. There can be no good reason why a non-fiction book should start sentences with the word "which."

Mr Freemantle writes in the breezy, often ungrammatical, style of a tabloid newspaper. This would be fine if he was writing a newspaper article. Readers of a hardcover book, however, deserve more respect.

Further, the author has overloaded his book with incidental facts. Following a chapter on the Mafia in Sicily, chapter 12 opens with the phrase: "The Vitosha is the best hotel in the Bulgarian capital of Sofia." Four paragraphs later, the reader is allowed to learn that the Vitosha is a venue for international arms-for-drugs deals. Intimate detail about window curtains and shoe sizes are fine for newspaper stories, but a book loaded with extraneous detail is confusing.

The second part of the reason for *The Fix's* failure cannot be pinned on the author. Most readers capable of picking up a newspaper are already aware of the vast riches enjoyed by the gangs who supply illicit drugs to addicts. They know about gangland killings and the tragic waste of the lives of those lured into drug abuse.

But unlike a famine in Ethiopia, there can be no general organised appeal — no rock songs to raise millions—to fight the problem. Drug abuse remains a slow kind of suicide freely chosen by individuals. Society tends to repudiate responsibility for the victims of such lucrative crime.

Even the rising rate of crimes committed by addicts has not aroused the public on the subject. Drug law-enforcement remains a governmental task; the taking of drugs remains glamorous. Cocaine is still passed around at some of the best parties world-wide. Heroin shows up on school yards in all sorts of areas and children still try it in order to gain approval from their peer-group.

In his last chapter, Mr Freemantle takes up the difficult task of making recommendations about the problem. He points out that the addictive personality cannot be eliminated from society; people have always taken drugs to enhance or heighten their feelings, he says.

He suggests that the use of small amounts of marijuana be "decriminalised" world-wide. He then suggests that addicts of harder drugs be given their fix by their own doctors. This would effectively undercut the business of the international drug mafia and stop the crime and deaths prompted by those in need of a fix.

It makes sense, but it will never happen. The medical community wouldn't have it; nor would the politicians. The rest of us would have to change our minds about the problem first.

Life with father

BY VALERY McCONNELL

Home Before Dark: A Personal Memoir of John Cheever by His Daughter
by Susan Cheever. Weidenfeld & Nicolson, £10.95. 243 pages

It is good to know that John Cheever, the New Yorker short story writer did get home before dark—the darkness of death—closed upon him. But it was a close-run thing. He died in 1981 of cancer. In 1975 he stopped drinking. He had always been a heavy drinker but by 1974 he had become an embarrassing old drunk. A rehabilitation centre and membership of Alcoholics Anonymous finally dried him out for good.

"Home" represented peace of mind, coming to terms with many aspects of his life that he found unsatisfactory and from which alcohol helped him escape. He viewed his childhood as a disaster and from this lack of basic security grew a love for his brother by whom he felt threatened. Linked to this was a strong homosexual streak that he tried to repress and, not surprisingly, an intermittently unhappy marriage.

Yet out of this whirlpool of unanswered emotional needs he produced witty, ironic and often powerful short stories and novels. His writing, as he stated in the journal he always kept, was "that bridge of metaphor, anecdote and imagination that I build each morning to cross the incongruities in my own life." He was a man who cared very much about his dignity but was highly conscious that there was much in his life that could make him appear ridiculous. No wonder he developed a strong sense of irony.

After giving up alcohol he formed a steady and loving relationship with a younger man but still lived with his wife now in comparative harmony. He also completed his successful novel, *Falconer*, and was writing at the height of his power. He had come home. Then cancer struck.

This personal memoir by his daughter is not a chronological narrative. Vividly drawn scenes from his final illness punctuate the text. It is a reflection of Susan Cheever's own need to make some sense of her father's death. Yet while her personal loss is apparent the writing is never mawkish.

Many of her insights are based on John Cheever's journals, which she didn't read until after his death. Her sense of surprise at discovering aspects of his life and character is evident. This can lead to lumps of undigested writing—she will quote long passages from the journal and dwell at great length on some trait in his personality. But more often she is commendably dispassionate and wryly perceptive of the psychological drives in her father.

It is by no means a history of unrelieved anguish and guilt, however. She describes her father making up wonderful bedtime stories featuring a wicked rabbit named Horace Walpole, because her father had never forgiven Walpole for writing that Henry Fielding was "perpetually disgusting." He was loving and exciting as well as sarcastic and tyrannical. Occasionally the vividness of her own memories works against the picture she is trying to recreate. We do not gain from knowing the colour of the curtains in every room in which her father worked.

CHESS

LEONARD BARDEN

BRITAIN HAS a record four qualifiers in the 1985 interzonal round of world title competition, which will eventually decide the ultimate 1986 challenger. Tony Miles and John Nunn are in the interzonals due to high International Chess Federation (FIDE) ratings, while Nigel Short and Jonathan Speelman earned their places at the CGL Brighton zonal.

With Nunn an individual gold medallist from the Salonica chess olympics, Miles winner of the super-grandmaster tournament at Tilburg, and Short at age 19 among the youngest ever interzonalists, the chances may look good; in fact the odds are heavily against our players even before they push their first pawns.

While England has four contenders, the Soviet Union has 14. They will qualify five from the 1985 USSR championship cum zonal now in progress at Riga; six more GMs (Belyavsky, Polugaevsky, Romanishin, Tal Vaganian and Yusupov) are seeded direct into the interzonals; another, Smyslov, goes direct into the candidates. But the real odds loading occurs at a later stage of the cycle, after the three interzonals have produced 16 men in a candidates tournament and the candidates have qualified three for semi-final matches.

The defending champion waits until the entire process is over before taking on the world eliminators winner. The "challenge round" where a world champion is excused the main competition is an archaic concept peculiar to chess. Only boxing among major sports and games has an equivalent procedure and that has split administration with more than one world champion at most weights.

The FIDE system came under attack in the mid-1960s when Petrosian was a weak champion while Fischer a stronger player, was reluctant to compete.

Then criticism was stilled for a decade when Fischer and Karpov proved so manifestly superior to their contemporaries that the qualifying structure seemed irrelevant. It was also an era of huge prize funds for the championship match culminating in the £3m at Baguio 1978.

Karpov is now in his mid-thirties, and even the greatest champions start to wobble as they approach 40. Thus younger players might soon challenge him effectively if qualifying conditions were fairer; while the course of the Moscow match suggests that the system has exaggerated Karpov's natural caution into a minimum risk style. This week, he became seriously ill and the marathon series has been voided with a 24-game replay announced for September.

FIDE ought to consider seriously a major reform, abolition of the challenge round for the world title so that Karpov and Kasparov start to take on their rivals in the interzonals. Such a proposal would be opposed by the USSR and its allies, but at present the case for reform is lost by default.

Countries like Britain, the U.S. and the Netherlands, all influential and all with potential title candidates, are natural opinion leaders for such a move. The BCF here has never even discussed the question, but with Nunn and Short possibly live contenders during the 1985-86 cycle, it looks time for an urgent reappraisal by our chess administrators.

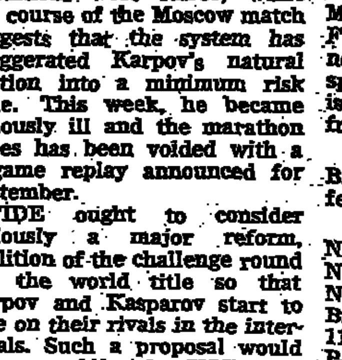
One intriguing entry among the 1985 candidates will be ex-champion Boris Spassky. The tournament is scheduled for Montpelier in October, and FIDE have given Spassky, who now represents France, a special place. This week's game is a recent Spassky miniature from the West German League.

White: H. Hunerkopf. Black: B. Spassky. Two Knights Defence (Bundesliga 1984).

1 P-K4, P-K4; 2 N-KB3, N-QB3; 3 P-Q4, PxP; 4 B-B4, N-B3; 5 P-K5, P-Q4; 6 B-QN5, N-K5; 7 NxP, B-QB4; 8 B-K3, BxN; 9 QxB, 0-0; 10 BxN, PxB; 11 P-KB3? (better 11 0-0), P-QB4! 12 Q-QR4, R-Q3; 13 Q-R4 Q-R5 ch; 14 P-N3, NxNP; 15 B-B2, Q-R3! 16 Resigns. If White had played 12 Q-Q1, then Q-R5 ch; 13 P-N3, NxNP and now 14 B-B2 fails to Q-N3 ch.

POSITION No. 555

BLACK (12men)

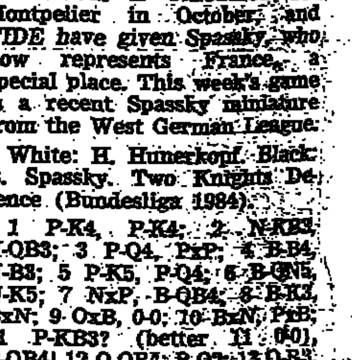


WHITE (12men)

L. Polugaevsky v R. Kholmov, USSR teams 1984. Black (to play) can win a pawn by RxP; does it win, lose, or lead to an equal game? The analysis is several moves deep, and is a good example of the practical 'seeing ahead' required in grandmaster chess.

PROBLEM No. 555

BLACK (5 men)



WHITE (8 men)

White mates in four moves, at latest, against any defence (by H. Johner). Four moves against a trapped king looks simple, but White has no suitable piece (queen, light-squared bishop, or knight) to give a check, while meantime Black plans to advance his free pawn and force stalemate.

Solutions, Page 22

Sitting pretty

MOST OF US are lucky enough not to have to give much thought to how the disabled are expected to clothe themselves. It is not until we ourselves or somebody close to us becomes ill or disabled that we are suddenly forced to face the fact that nobody else has given the matter much thought either.

In fact until fairly recently no attention had been paid to it at all and the disabled were stuck, if they were lucky and in the right sort of borough, with what has been described as those "awful DHSS issue pram covers" or, in the words of Nellie Thornton (about whom later) "Whatever they could get into."

Fortunately recently two or three people have begun to take a serious interest in the matter and though Britain cannot yet offer anything as colourful or fashionable as the Scandinavians have devised, things are beginning to look up.

Down in Somerset Nick Matthews was working for a company that was selling bullet-proof jackets when he became interested in clothing for the disabled purely by chance. He was trying to sell his house and a prospective buyer came to view it in the pouring rain, bringing with him a spastic son who got absolutely drenched while getting in and out of the car and house. That set him thinking and "sniffing out the market."

He discovered that mostly what was available were quilted anoraks that were not waterproof nor comfortable nor attractive. Given that there are some 500,000 people in wheelchairs in the UK alone and some 2m in Northern Europe he deduced that there must be a market for attractive, comfortable fashionable alternatives. So he started to study what was needed.

He found out that there were all sorts of special problems that needed attention — for instance, those in wheelchairs range from the bright, reasonably active and normally shaped to those who are confined to wheelchairs all the time and because of the inactivity inevitably become rather pear-shaped. Badly-designed rainwear usually meant that the garment ended up supporting a great puddle in the lap.

He attended meetings of local disabled groups, consulted the disabled at Purdown Hospital in Bristol and in St Michael's Cheshire Home in Axbridge and he did not shirk from sitting around for hours in wheelchairs as if he were disabled himself to discover more about the problems. What he discovered was that the disabled (not surprisingly) would like their clothes to look much like everybody else's — that is colourful, fashionable, up-to-date and that if he paid a great deal of attention to the detailing it could be done.

It took him a year to develop the DriRider (there it is photographed far right). It is sold mainly by mail order (write to DriRider, The Yews, The Causeway, Mark, Highbridge, Somerset for a price list and detailed size chart) but it can be seen and tried on in many of the "Aids Centres" throughout the country.

The DriRider can be bought in a few different combinations —all are made from the same light polymer fabric. There are detachable fleecy linings, detachable hoods, adjustable wraps, leg and lower body muffs as well as two styles of hat—a hood or a crowned hat with a brim.

For the moment the DriRider is the main product though there are also holdalls and armguards, slinks and anoraks but more designs are in the pipeline — a design competition for students at the Bristol Polytechnic produced ideas that they hope one day to have the resources to develop.

Up in Yorkshire, Nellie Thornton had also discovered that very little has been done in this sphere for the disabled. While on a study project she had observed how ill-fitting were the clothes worn by stroke patients and how difficult they found it to dress themselves.

Funded by the Urban Programme and Manpower Services and also sponsored by Bradford and Ilkley Community College she embarked on a project to bring fashion to the disabled. As she herself puts it "Fashion rarely enters the lives of the disabled. They wear what they can get into. They need the moral support that attractive, good fitting garments can give."

The service, above all, that she provides is of offering to make bespoke garments to order —after all the diabled, too, get married, attend weddings, christenings, celebrations and need to look good.

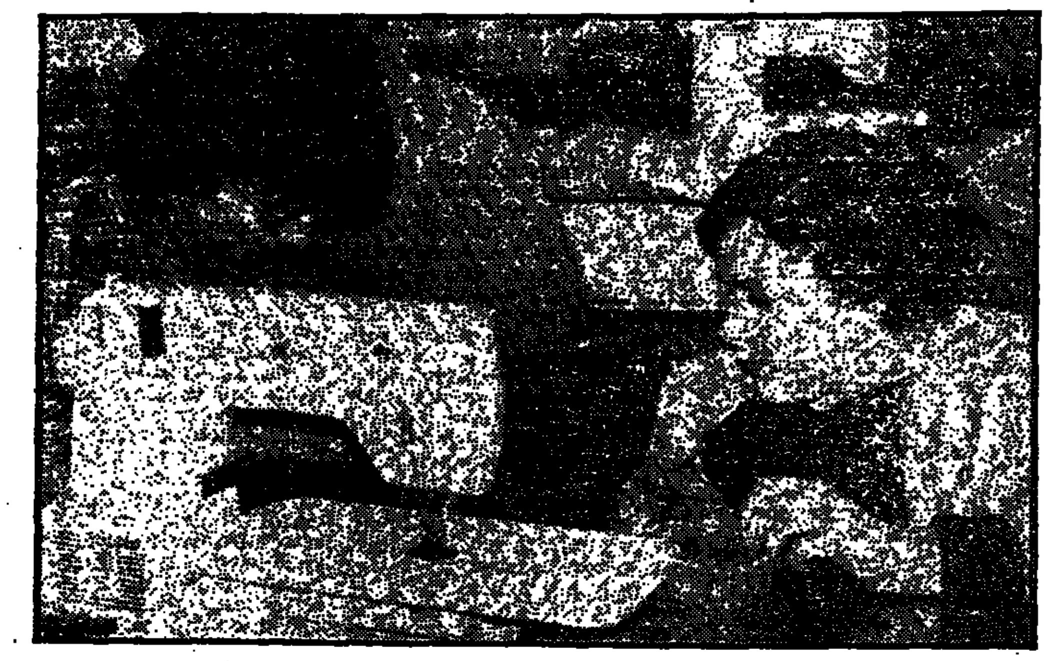
Her workshop, is itself largely staffed by disabled persons and their relatives, with a back-up service of Community Care students and local women when extra help is needed.

Because of the outside funding the charges for the individually designed garments are about the same as for normal off-the-peg prices. That her service was badly needed is clear from the many, many letters her happy customers send her. "It made such a difference to my life. I started going out more and the fact that someone had designed something especially for me was just wonderful. I'm absolutely delighted with my clothes. It's something that's been needed for 50 years."

Anybody interested in ordering clothes or in the project should write to Nellie Thornton, Fashion Services for the Disabled, B270-B230 Saltaire Workshops, Ashley Lane, Shipley, BD17 7SR.

Finally, another name to look out for is Simplantex of Willowfield Road, Eastbourne, East Sussex. It has primarily been in the baby care market but recently ventured into clothing for the disabled. So far it has produced a range of Cosysits, aprons, cushions and Macs but Nick Askaroff who runs it is well aware that so far British design lags way behind its Scandinavian competitors. ("What exists isn't good enough — the quality is all right but the fabrics and designs are dowdy and drab.")

He has therefore used the Design Advisory Service Funded Consultancy Scheme to commission Isabel Clark Associates to come up with some new bright, attractive and practical designs which he hopes to be able to start making in September or October. It looks as if the wardrobes of the disabled may at last be in for a face-lift.

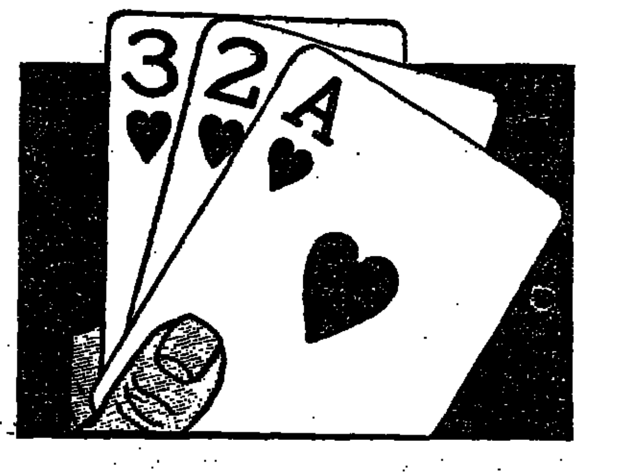


ABOVE: A glimpse of the workshop run by Nellie Thornton in Shipley where her Fashion Services for the Disabled not only trains and gives employment to the disabled but makes and designs custom-made clothes for other disabled people.

LEFT: The designs photographed here are unfortunately not available on the British market but give some idea of the high standard of clothing currently available in Scandinavia which is inspiring British manufacturers to higher things.

RIGHT: the DriRider range of protective clothing for those who spend some or much of their time in wheelchairs. It is made in six different colours (from a brilliant, sunny yellow to an inconspicuous sludge green) and has been carefully designed to insulate the wearer from the weather, to be comfortable, warm and light and yet to be agreeable to look at. The material is a windproof transfer coated polymer and to go with it there is a series of easily detachable fleecy linings.

It is basically a three-piece suit consisting of a leg and low body muff with a cape and detachable hood. Price list and detailed sizing chart available from DriRider, The Yews, The Causeway, Mark, Highbridge, Somerset, TA6 4F.



A GOOD source of help for those who are temporarily or permanently house-bound, who are disabled or whose limbs are simply stiffer than they once were, is Chestercare Ortho-aids, of 16 England's Lane, London NW3. It has concentrated on all the small and simple things that can make all the difference in helping the handicapped to lead much more fruitful lives.

There are gadgets to help those whose sight is no longer so keen—strip magnifiers to help read the telephone directory, high quality stand magnifiers or large pendant magnifiers. Then there are devices to keep warm those who are not able to move around a great deal —everything from thermal socks to fleecy heating pads.

There are gadgets to help open jars, chop vegetables, beat eggs, blend pastry, cut flowers or peel potatoes. There are bed trays and bed hoists, wheelchairs and walking ramps.

Entertainment, too, has not been forgotten—sketched above giant face cards are for those whose sight is less than perfect. There are also discs for holding a full bridge hand and a wooden hand-hold for those who find sorting the cards difficult.

In other words a whole host of devices that help to make life easier or simpler can be ordered through this catalogue or bought from the shop itself.

BRIDGE

E. P. C. COTTER

SOME NO TRUMP contracts are lost because the declarer fails to hold up, some because he holds up too long, some because he does not hold up long enough. My two example hands today illustrate these points—I hope you will find them instructive. Here is the first:

	N	
	♠ 8 6 2 ♡ A J 4 ◇ Q 7 3 ♣ K Q 4 3	
W ♠ Q J 7 5 4 ♡ 8 6 3 ◇ K 8 ♣ J 9 7		E ♠ K 9 ♡ Q 9 5 2 ◇ 10 9 6 4 2 ♣ 10 8
	S ♠ A 10 3 ♡ K 10 7 ◇ A J 5 ♣ A 6 5 2	

South dealt with East-West vulnerable, and opened with one no trump, and North's raise to three no trumps closed the brief auction.

West led the five of spades, East's King held the first trick, and the nine was returned and covered by ten and Knave. A third spade cleared West's suit. When the declarer ran off four club tricks, finishing in his hand, West discarded the heart three, and East the two of each red suit. South cashed his heart King, and finessed the Knave of hearts into the "safe" hand. East returned a diamond. South had to try the finesse, but West had the King, and defeated the contract with his spades.

The declarer was unlucky, you say, because he made the wrong guess in hearts. I do not agree —there was no need to do any guessing. South's error was in holding up a second time. He should take the spade nine with his Ace, and run off Ace, King, Queen of clubs, carefully unblocking the six and five in his own hand. Then he throws West in with a spade. West cashes two more tricks in the suit, on which dummy throws Queen and seven of diamonds, and declarer throws heart seven and diamond five. If West leads a diamond, all is over, but West leads his eight of hearts. Dummy plays the four, and East rightly ducks.

South wins with the ten and cashes the King. Now the four of clubs gives him access to dummy to cash the Ace, and the diamond Ace is his ninth trick.

The second hand from another rubber, produced this:

	N	
	♠ K 6 4 3 ♡ 5 ◇ A Q 9 7 2 ♣ K 10 5	
W ♠ J 9 ♡ A 10 7 6 2 ◇ 6 4 ♣ J 9 4 3		E ♠ Q 10 7 5 ♡ J 9 4 ◇ K 8 3 ♣ 8 7 2
	S ♠ A 8 2 ♡ K Q 8 3 ◇ J 10 5 ♣ A Q 6	

North-South had won one game when South dealt and bid one no trump, North bid a Stayman two clubs, and after the opener's rebid of two hearts raised to three no trumps.

West led the six of hearts, East played the Knave, and South was tempted to win at once. But the Rule of Eleven showed that East had another heart higher than the six, which must be the nine or seven, so he allowed the Knave to hold. When the nine was returned, however, he thought his holding strong enough to cover with his Queen. West shrewdly played the two. The declarer now ran the diamond Knave, East won, and the heart return defeated the contract.

The declarer has two tricks in spades, three in clubs, and four easily establishable in diamonds. He does not, therefore, need even one heart trick —all he has to do is to hold up long enough to exhaust East of the suit. He allows the nine to win, covers the four with his Queen. West wins—there is no point in ducking now—and switches to spades, and the declarer wraps up nine tricks.

A really bad performance by South.

POSTSCRIPT

IF YOU'RE looking for an excuse for visiting Guernsey, Channel Island Seminars is offering a rather intriguing sounding course open to visitors (or, indeed, locals). Roger Newton, who spent many years at Colefax & Fowler, is prepared to part with all the secrets of how to apply the currently fashionable paint finishes of gilding, marbling, dragging, graining, tortoise shelling and restoration.

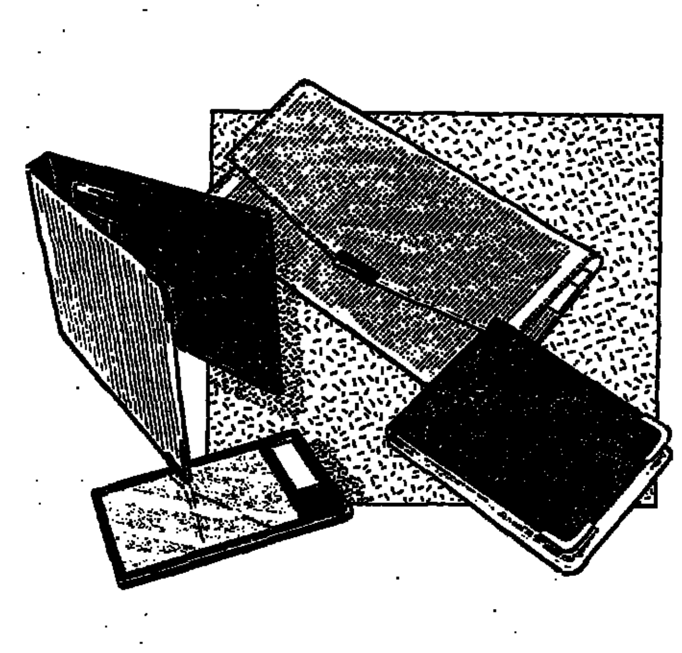
Though many a fashionable book has been written on the subject, there is nothing like a real-life go with experts on hand. Many of the students in the past have been antique dealers, furniture restorers and interior decorators but there are usually plenty of amateurs who simply want to learn how to restore their own furniture, walls, floors or picture frames. The five-day course costs £150 —accommodation is not provided but can be arranged.

If you can't make it in person, but are interested in the subject, Roger Newton has made a video cassette featuring the techniques of marbling. £29.95.

For the course or the VHS video write to Roger Newton, School of Decorative Finishes, Sausmarez Manor, St Martin, Guernsey, Channel Islands.

FEELING COLD? Then you might like to try the Heat Pak. It's a neat flattish little pack (rather like a giant tea bag) which you put close to your body (between, for instance, your vest or petticoat and your dress or shirt) and which then warms up so that it feels rather like a hot-water bottle. It uses no wire, flame or battery. The press release describes it as containing a "powdered ferrous compound which sets up a chemical reaction, giving off heat of up to 70 degrees C."

We tried it in this office on one of the coldest days of the year and it certainly did provide local heat which was very comforting. It would seem ideal for the elderly and for people who have to work or stand in cold places. It is remarkably slim so seemed to add no bulk to clothing and it seems to keep its heat for a considerable length of time—up to nearly 24 hours. Each disposable pack costs 49p and is available at chemists, health food shops and Motorist's Distribution Centres.



Much the sharpest looking briefcases, diary and notebook covers that I have seen recently have been the smart ribbed rubber range to be found on the arm or in the hand of the chicer members of the design and advertising world. The originals do not come cheap but now Boots is producing very passable versions with something of the same sleek, hi-tech look. So far there is no briefcase but there is a wallet purse, a credit card holder, an address book a key case and cheque book holder. Most larger Boots branches stock them and prices vary from £5.99 for the wallet purse to £3.99 for the comb and mirror set and £2.99 for the credit card holder.

ATTRACTIVE plate-warmers are few and far between and not every dining-room has a ready-made place to store them. If that is your problem then there is a small easily stowable gadget that will warm plates up nicely and look decorative while doing so. It works on similar principles to the electric blanket. It is about 4 ft long and 10 in wide and will warm up to a dozen plates at a time.

The blanket itself is made from an attractive Provencale-type cotton covering and it works by interleaving it between the plates. It takes between five and 10 minutes to warm the plates, 20 minutes to make sure they are really hot and from then on the thermostat will control the heat at around 80 degrees C. The bottom of the platewarmer does have a heat resistant plastic base but anybody intending to use it on fine old wood would be well-advised to use an insulated mat as well, just to be sure.

Buy it for £14.95 from Harrods of Knightsbridge, London SW1 or direct from Leeds Metal Spinning Company, Westland Square, Dewsbury Road, Leeds.

Frank Wheeler

People and Places of Constantinople/Patricia Morison

The tang of Ottoman life

The People and Places of Constantinople: Watercolours by Amadeo Count Preziosi: Victoria and Albert.

Scowling officials, the stench of the Marmara shore and a sprawl of squatters huts greet visitors to Istanbul. The motorway into the city offers barely a glimpse of the fabled domes and minarets. Even the city's most ardent admirer would nowadays have to disagree with Robert Liddell's claim 30 years ago that "All approaches to Constantinople are beautiful." Liddell, author of the strange *Byzantium and Istanbul*, found Istanbul impossible to love—and many of today's increasing herdes of tourists find the same. I believe preparation is the answer. A strong sense of the city's past is a thread to guide you through the maze of "pick-axe-torn, tram-tormented streets." So start with this small but richly informative exhibition at the Victoria and Albert Museum in South Kensington.

When these spirited watercolours were painted, the traditional Ottoman way of life was already on the wane. Yet, like the elusive fragrance of rose-water, it still lingers at odd corners of the modern city. It is a question of knowing what to look for, and Preziosi is a good guide. This Maltese nobleman, the descendant of pirates, studied painting in Paris then moved to Constantinople in the early 1840s. He married a Greek woman and lived off painting and jobs at several embassies. Preziosi died by accidentally shooting himself while going after duck at Yesilköy, perhaps at the spot where your jet will touch down. His descendants still live nearby.

From the 18th century, many artists turned out romanticised scenes of Constantinople and careful costume drawings of its denizens. Preziosi's work is on a different level because of his close knowledge of the city and his apparent sympathy for a way of life which to him had ceased to be exotic. Guidbooks of the day commended his sketches to visitors until the advent of photography seemed to offer more accurate souvenirs—not the case, as an early photograph in the exhibition makes clear. Preziosi's work also reached the armchair traveller through volumes of coloured lithographs. They are more stagey, but still a lively record of the bewildering variety of occupations and ethnic groups of those who passed through the bazaars and coffee-houses of Stamboul.

In recent years, Orientalist art has boomed on a scale which recalls that of the last century. Preziosi's work has been oddly neglected although, as this exhibition shows, his work rates comparison with John Frederick Lewis' highly regarded sketches of the 1840s. Both artists tried to record the scenes and human types without prettifying them or exaggerating their Eastern allure. The point is well made by the other artists' work included in the show. *The Favourite Odalisque* by Thomas Allom, a much better-known painter, shows an Ottoman beauty at a fountain, wearing a dress which would have had her at once thrown into the Bosphorus. In contrast, Preziosi's ladies are heavily veiled and cloaked.

That Preziosi was not entirely immune to the myth of the harem is shown by one scene probably painted from models rather than real life. Nonetheless, the result is a far cry from the normal harem scenes which titillated western voluptuaries. The decor is real enough. It shows that in 1851 Turkish furnishing had already succumbed to the fatal French influence which still makes so many Istanbul homes a nightmare of Louis-Quinzerie. Indeed, travel-writers of Preziosi's day were already bemoaning European influence over architecture and dress. The sultans had put the upper class into frock-coats and the fez, which explains why it was the ordinary people who inspired Preziosi—not just Turks but races from all over the Empire; Montenegrans, Laz, Bulgarians, Georgians and more.

The organisers of the exhibition should be congratulated on the thoughtful captions which accompany us on this tour of the many races and beliefs which once made Istanbul so cosmopolitan. Preziosi seems to have been an interested observer of other faiths. Among them are a Greek priest, a Karaite Jew and a Jacobite priest. There are also a sprinkling of dervishes. Two of Preziosi's remarkable portrait series show contrasting types of Moslem holy man; the genial Bosnian dervish with his vast turban, and a wonderfully mystical Indian dervish from Lucknow. A "whirling" dervish quietly at prayer in a cemetery is a reminder of how good these meditative corners of the modern city are for those whose ears strain for the Ottoman echo.

Several of these watercolours come from the Rodney Searight collection which the V&A is currently trying to purchase. This is a unique collection of 6,000 prints, watercolours, drawings and travel-books on the Near and Middle East, which has been lovingly put together since the 1960s by a Shell employee. As well as well-known artists like David Roberts, Edward Lear and Alexandre Decamps, it contains many amateurs.

The owner is so keen for the collection to remain intact that he has offered it to the museum for £200,000, half its market value. The purchase fund has until April to raise the remaining sum of £80,000.

A Dervish, circa 1843

The dark side of a courageous man

On Sunday we had a programme on Radio 4 called *Other Men's Flowers*, which is the name Lord Wavell gave to his personal anthology of verse. The programme had little to do with poetry, except that its subject was unconvincingly said to like it, and carried that anthology with him in action. Action was his forte, for this was a sketch of Lieutenant-Colonel Blair Mayne, a founder-member of the SAS, who won four DSO's in Africa, Italy and northern Europe. His fourth would probably have been a VC if there had been the statutory two officers to witness his citation.

Outstanding courage was his chief merit. His uncontrallable temper was his chief handicap. He was actually in a detention barracks, for having hit his commanding officer, when David Stirling collected him for his Desetrt irregulars. It seems odd of Roy Bradford to have assembled a programme that reveals so many faults in his hero. "Paddy" Mayne used to fight on the Rugby field, in spite of which he got six caps for Ireland. At OCTU he was reported "unruly and unreliable." He attacked not only his own colonel but also men serving under him, not to mention staff officers from other divisions. He enjoyed "rowdy democratic booze-ups with his NCOs." He sent two crates full of loot home from Sicily. David Stirling admired him, but doubted if he was fit to command a regular battalion. Mike Calvert admired him, but spoke with some reserve.

He left the army at 30, became secretary of the Law Society of Northern Ireland, raised poultry, grew roses, played golf and died at 40. For his bravery there are no limits to my admiration (and envy). But if that's the quality he's presented to us for, the rest seems rather a pity. The implication seems to be that courage may belong to bad as well as the good, as anyone who fought against the Germans will know. Or perhaps it means that courage is less valuable than sobriety, discipline, sportsmanship and honesty. We might have got a better idea if we'd been told what sort of a secretary he made for the Law Society of Northern Ireland.

Monday was the day Radio 4 went awry. The Monday Play was replaced at short notice by David Blum's adaptation of Dostoevsky's *The Friend of the Family*, which had been broadcast in December, but which I didn't hear. We're in one of those Russian country homes such as we know from more familiar plays—Turgenev with a dash of vinegar. The Colonel (David Suchet) wants to marry pretty young Natasha Alexandrovna, but his autocratic mother, the General's widow (Margot Boyd) won't have it. Natasha loves him, but cousin Sergei (John Webb) loves her. Above everyone, there is the butler Foma Fomich (Clive Merrison), who is said by the old lady to "serve us all and set us right," which he interprets as meaning that he can take charge of all social and domestic behaviour in the house. The Colonel ultimately decides to chuck him out, but unhappily he had seen the Colonel kissing Natasha in secret, and when he does go, he launches into a great farewell speech full of insults. But he's caught in a storm, returns

RADIO

B. A. YOUNG

home and assists in what doesn't sound to me like a very happy ending in spite of the happy marriages.

Martin Jenkins was the director, and kept the complexities under control. Myself, I found the tale too complex for a 90-minute slot. Dramatic adaptations from literature often try to get too much detail in. Saturday's *Clovis in the Country* was a version of Saki's *The Forbidden Buzzards*, a 2,000-word story, but Colin Tucker had tried to make it an hour-long whole anthology of Sakiisms. I was amazed that he hadn't included Tobermory the talking cat. Only 90 minutes earlier, we had had P. G. Wodehouse, in one of a series called *Blandings*, about the Earl of Emsworth and his household. Because the stories are adapted by Richard Usborne, they are faultless in detail, but can't avoid the trouble that Wodehouse's best jokes come in his narrative rather than his dialogue. Bobby Jaye is the director, so he must take the responsibility for actors whose voices don't sound at all like the voices generated in my imagination for Emsworth.

Oh yes, about Monday, *Kaleidoscope*, under its new director, should have begun with Paul Vaughan, but Sheridan Morley presented it throughout admirably.

H-Hancock's h-high art lives on for posterity

"H-H-Hancock's Half Hour!" And so, with the famous overdose of aspirates, Britain's best TV comic of the late '50s ushered in his programmes. Years ago someone told me that the whole of Hancock's television oeuvre except the oft-seen *Blood Donor* had been destroyed by over-zealous space-savers in the BBC vaults. I was more shocked by this news than by almost anything since the sack of Troy. So picture my delight recently when BBC Video proved the rumour untrue by issuing two albums of Hancock classics vintage in their wit and wisdom.

Here they are — "The Missing Page," "Twelve Angry Men," "The Lift" and many more: tales of an East Cheam cultural climber with a withering line in scorn and an even more withering line in making a total ass of himself. One minute Hancock is a suburban Oscar Wilde, with his poise, his astrakhan and his aphorisms, the next he's a sort of house-trained Charles Laughton, bull-frogging his way into a tantrum or a jowl-wagging Jeremiah about 20th century life. Always he's a master comic, surely the only performer ever to turn TV situation comedy into high art.

Seeing these tapes a quarter-century after first transmission, mind you, one's first knocked sideways by their prehistoric look. Was turn-of-the-decade TV—late 1950s, early 1960s—really so basic? The sets look as if you could take them down and turn them into cardboard boxes, the scarcely-mobile camera hugs the actors in close-ups and two-shots, and the stricken black-and-white visuals seem like early D. W. Griffith.

But Hancock is a Scott in this blizzardly Antarctic. Dressed for an eternal winter, and alternating Alpine trilby and black-pudding Homberg as competitively insane headgear, he sallies unstoppably into

VIDEO

NIGEL ANDREWS

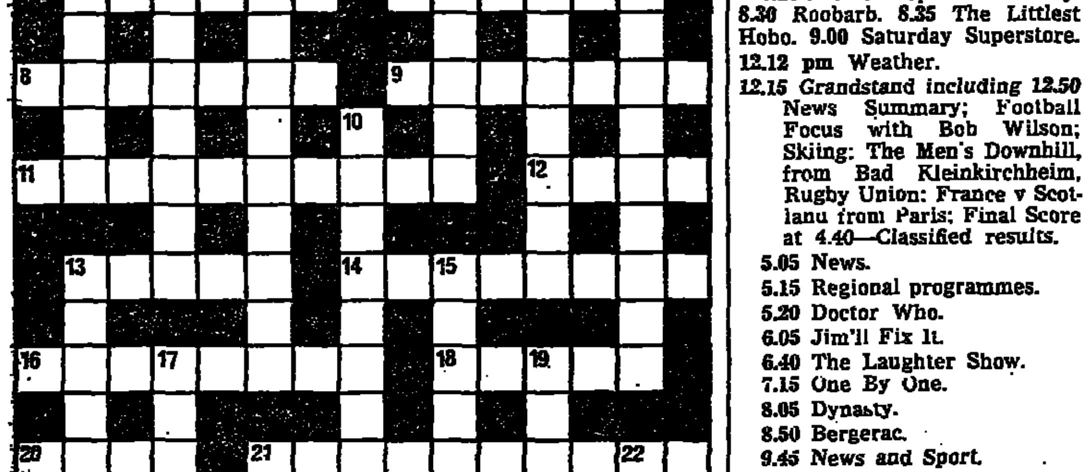
every crisis. The great Hancock forte is the alternation between high indignation and down-in-the-mouth irony. "The Ladies Man" sees him at his most switchbacking. "How dare you, you peroxided Jezebel!" he bawls at the lippy blind-date blonde his pal Sid James has landed him with on a street corner. But later he slips gear into Hancock world-weariness—"Charmin'! Charmin'!"—and later still into Hancock day-dream. Shimmering dissolves usher in a Noel Coward drawing-room and our wish-fulfilment hero is trading cut-glass one-liners with his enamoured lady: "Have you ever seen a biscuit tin by moonlight?"

Alan Simson and Ray Galton's scripts are still a wonder: not only for their brilliantly simple and supple story ideas (Hancock in jury service, Hancock stymied by a murder story's missing last page, Hancock stuck in a crowded lift) but for their dialogue's ability to capture the batty rhetoric of a suburban idealist. Has he given blood before, asks June Whitfield's snooty nurse in The Blood Donor? "Given? No: Spilt? Yes," orates Hancock. And he's off again—"There's a good few drops lyin' about on the battlefields of Europe. Are you familiar with the Ardennes?"

Spurred on by Sid James's grinning-spiv philistinism, he'll also flex his hopelessly fallible cultural superiority. "The Chinese 'ad the right idea," cries Hancock in "The Missing Page"—"Start at the back and work your way forwards!" And in "Lord Byron Lived Here" our hero is so bent on believing that his Railway Cuttings mansion once lodged the great poet that he swallows—hook, line and stanza—the authenticity of the sub-Byronic drivel Sid scrawls on the wall when he isn't looking.

Not content with giving us a cornucopia of Hancocks, BBC Video are spoiling us with other comic treasures. Michael Palin's *Ripping Yarns* are on offer from next month, including such derring-do classics as "The Curse of the Claw" and "Whinfrey's Last Case," and so is the complete second series of *The Fall and Rise of Reginald Perrin*. Leonard Rossiter plies his immortal dislocated-jaw ingratiations as the suburban entrepreneur — up-market companion piece to his unctuously seedy Rigsby in *Rising Damp* — and John Barron keeps telling us he didn't get where he is today, but somehow he has got triumphantly there. Also from the BBC, why not sample Sir John Betjeman's classic explorations in suburbia, *Metro-land*

F.T. CROSSWORD PUZZLE No. 5,646



A prize of £10 will be given to each of the senders of the first five correct solutions opened. Solutions must be received by next Thursday, marked Crossword in the top left-hand corner of the envelope, and addressed to the Financial Times, 10 Cannon Street, London EC4P 4BY. Winners and solutions will be given next Saturday.

Name ....

Address ....

....

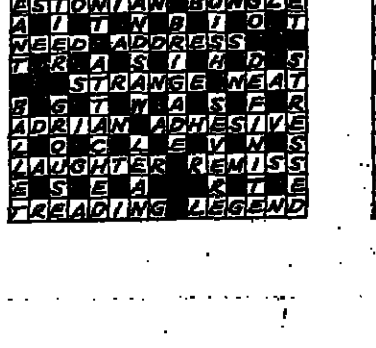
ACROSS

1, 4 Watch Wimbledon, perhaps, before benches? (6, 6)
8, 9 Spare time education was the Levellers' aim (7, 7)
11, 12 Burial round Pole, highly affected, held enemy aliens (10, 4)
13, 14 Movements of superstar were operated hydraulically (5, 8)
16, 18 Temporary dwelling, one where they feed soldiers (regular), 70 per table (3, 5, 5)
20, 21 Youth of the 50's took A to be Argentine (4, 10)
23, 24 One Man's terrorist is another man's foe, M.D. perhaps, in cargo ship (7, 7)
25, 26 Defeating a child of the waves at chess in the unions' time? (6, 6)

DOWN

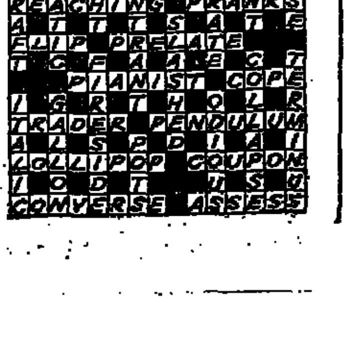
1 Dance with my old man in front of what he went in (5)
2 Art yearning for a day in June (7)
3 Riddle: what are firm and religious and beaten? (9)
5 Cry of pain suffered by young bird (5)
6 In the case of religious groups, removes parts surgically (7)
7 Endless monetarism tends to be a flattener (5, 4)
10 Looking down on d - - - - telepathy and suchlike, I use my voice (9)
13 Whence comes male whistle-blower into worm-cast? (5,4)
15 Once armed for exercise V? (2-7)
17 Mathematical term—convert it to ten—to bind the New Testament (7)
19 5 draws wild plants (7)
21 Acknowledgement of bad joke by elderly relative about love (5)
22 Canoe capsized by many waves (5)

Solution to Puzzle No. 5,645



Solution and Winners of Puzzle No. 5,640

Mrs A. A. Kitrick, 31 Barn Way, Wembley, Middlesex.
A. I. White, Willow House, 105A Kenton Road, Gosforth, Newcastle on Tyne.
G. R. Slater, 2 Stratton Drive, Barking, Essex.
Miss Olivia Nagloff, 13 Cromwell Road, London SW7.
E. A. Smart, 154 Rupert Street, Norwich, Norfolk.



BBC 1

† Indicates programme in black and white

7.10-8.25 am Open University. 8.30 Roobarb. 8.35 The Littlest Hobo. 9.00 Saturday Superstore.
12.12 pm Weather.
12.15 *Grandstand including 12.50* News Summary; Football Focus with Bob Wilson; Skiing: The Men's Downhill, from Bad Kleinkirchheim; Rugby Union: France v Scotland from Paris; Final Score at 4.40—Classified results.
5.05 News.
5.15 Regional programmes.
5.20 Doctor Who.
6.05 Jim'll Fix It.
6.40 The Laughter Show.
7.15 One By One.
8.05 Dynasty.
8.50 Bergerac.
9.45 News and Sport.
10.00 "An American Werewolf In London," starring David Naughton, Jenny Agutter, Griffin Dunne and John Woodvine.
11.35 Joni Mitchell in Concert.

REGIONAL VARIATIONS:
Wales — 8.30-9.00 am Rugby Union: Try, Try Again. 5.15-5.20 pm Sports News Wales. 12.30-12.35 am News of Wales Headlines.
Scotland—12.15-5.05 pm Grandstand. Live coverage (1.55) from Parc des Princes, Paris, of France v Scotland. 5.15-5.20 Scoreboard. 10.44 Sportscene. 10.30-12.05 am Feature Film: "An American Werewolf in London."
Northern Ireland—4.55-5.05 pm Northern Ireland Results (opt-out from Grandstand). 5.15-5.20 Northern Ireland News. 12.30-12.35 am Northern Ireland News Headlines.
England—5.15-5.20 pm London Sport; South-West (Plymouth) Spotlight Sport and News; All Other English regions Sport and Regional News.

BBC 2

6.25 am Open University.
†3.10 pm *Saturday Cinema* Double Bill: "Sylvia Scarlett" starring Katharine Hepburn and Cary Grant and at 4.35 "Strategic Air Command" starring James Stewart and June Allyson.
6.25 The Sky at Night.
6.45 News and Sport.
7.00 France Actuelle: series of five films on modern France which expand on some of the documentary themes from "A Vous la France!" (1) Grenoble.
7.25 Rugby Special. Highlights of France v Scotland.
8.30 Born to Live
10.00 Blott on the Landscape.
10.55 The Big Yin. "Out of the Question" — after facing the interrogation of 80 Scottish teenagers in "Open to Question," Billy Connolly ad libbed with his audience on the roots of his humour and what makes him laugh.
†11.35-1.20 am "Dead of Night" starring Michael Redgrave and Googie Withers.

LONDON

6.15 am TV-am Breakfast Programme. 9.25 LWT Information. 9.30 Cartoon Time. 9.35 Scooby, Scrappy and Yabba Doo. 10.00 No.73. *11.20 Space 1999.*
12.15 pm World of Sport. 12.20 World Cup Skiing from Bad Kleinkirchheim, Austria; 12.45 News; 12.50 On the Ball; 1.20 Athletics — The Michelob Invitational from The San Diego Sports Arena; 3.20 Pool—The Yugo Cars Cars World Championship from The Forum, Kentish Town; 3.45 Half-Time Soccer Round-Up; 4.00 Pool; 4.45 Results.
5.00 News, Sport.
5.05 Blockbusters.
5.35 The A-Team.
6.30 The Fame Game.
7.15 All Star Secrets.
7.45 T. J. Hooker.
8.45 The Price is Right.
9.45 News and Sport.
10.00 Aspel and Company.
10.50 London News Headlines followed by Auf Wiedersehen, Pet.
11.50 Magnum.
12.45 am Bizarre.
1.10 New from London (Di-Anno).
2.10 Night Thoughts with Paul Boateng.

CHANNEL 4

1.05 pm Everybody Here.
1.30 The Making of Britain.
†2.00 "The Young Mr Pitt" starring Robert Donat with Robert Morley, Phyllis Calvert, John Mills and Raymond Lovell.
4.00 O'Malley.
4.45 Risky Business.
5.05 Brookside.
6.00 The Other Side of the Tracks.
7.00 News Summary followed by Seven Days.
7.30 Home: Journeys to Britain.
8.30 "As the Years Pass, As the Days Pass" (with English subtitles).
9.45 My World and Welcome To It.
10.15 Hill Street Blues.
11.15 The Ever Popular Tortured Artist Effect.

SC4 WALES
1.35 pm A Week in Politics. 2.20 Rygbi rhyngwladol (cymru v Lloegr). 4.05 The British at War. 6.00 Where in the World? 6.30 The Avengers. 7.30 Newyddion (Welsh and world news). 7.45 Sion a sian. 8.15 Wedi wyth. 8.45 Bara caws a'r to dnwchben. 9.30 Y maes chwarae. 10.30 Supertroupers. 11.25 Feature Film: "13 Rue Madeleine," starring James Cagney with Annabella and Richard Conte.

ANGLIA
9.25 am Sylvester. 11.20 Battlestar Galactica. 11.50 Jazz Special "Koinonia part 2." 12.20 am At the End of the Day.

BORDER
11.20 am Chips. 5.05 pm Cartoon Alphabet. 11.50 Scottish Curling Championships.

CENTRAL
9.25 am Adventures of the Blue Knight. 11.20 Chips. 5.05 pm Cartoon Alphabet. 11.50 Shelley.

CHANNEL
9.57 am Puffin's Plat(i)ce. 11.20 Tarzan. 12.14 pm Channel Islands Weather Summary. 5.05 Puffin's Pla(i)ce. 5.10 Cartoon Alphabet. 11.50 Live from London.

GRAMPIAN
9.25 am Cartoon ("Pop 'Im Pop"). 11.20 Chips. 11.50 pm Scottish Curling Championships—Arthur Montford introduces play from one of today's ties in the Lang Supreme Scottish Curling Championships, from Kirkcaldy Ice Rink. 12.35 am Reflections, with the Rev John Shields, Chaplain, Bridge of Don Barracks, Aberdeen.

GRANADA
11.20 am The Fall Guy. 5.05 pm Diff'rent Strokes. 11.50 The Saturday Film: "The Last Detail," starring Jack Nicholson.

HTV
9.25 am Cartoontime—Sylvester. 11.20 The Little House on the Prairie. 12.13 pm HTV News. 5.05 Cartoon Alphabet. 11.50 Jazz Special: Charlie Byrd.

SCOTTISH
1.20 am Battlestar Galactica. 11.50 pm Scottish Curling Championships (highlights from one of today's ties in the Lang's Supreme Scottish Curling Championships from Kirkcaldy Ice Rink). 12.35 am Late Call with the Rev Stanley Hood of Anderston-Kelvingrove Church, Glasgow.

TSW
9.25 am Cartoon (Roger Ramjet: Hollywood). 9.57 Gus Honeybun's Magic Birthdays. 11.20 Freeze Frame. 12.12 pm TSW Regional News. 5.05 Newsport. 5.10 Cartoon Alphabet. 11.50 Live From London: "The Cry." 12.45 am Postscript. 12.50 South West Weather.

TVS
9.25 am Speedy Gonzalez and Sylvester. 11.20 The Green Hornet. 11.45 Birdman and Galaxy Trio. 12.12 pm TVS Weather. 11.50 Jazz: Ahamad Jamal (piano). 12.20 am Company.

TYNE TEES
9.25 am Morning Glory. 9.55 Young Lookaround. 11.20 Captain Scarlet and the Mysterons. 11.50 Batman. 12.13 pm North East News. 5.05 North East News. 5.07 Cartoon Alphabet. 11.50 The Timeless Land. 12.50 am Poet's Corner: Tom Coyne reads "The Glory of the Garden" by Rudyard Kipling.

ULSTER
11.20 am Fireball XL5. 11.45 The Jacksons. 12.43 Lunchtime News. 4.55 Ulster Sports Results. 5.03 Ulster News. 5.05 Lakeland Games. 9.57 Ulster News. 11.45 Guess Who's Coming to Dinner? 12.10 am News at Bedtime.

YORKSHIRE
9.25 am Regional Weather Forecast followed by Sylvester. 11.20 Battlestar Galactica. 5.05 pm Cartoon Alphabet. 11.50 The Master.

BBC RADIO 1
(S)=also VHF Stereo
8.00 am Peter Powell. 10.00 Dave Lee Travis. 1.00 Punk to Present (S). 2.00 Paul Gambaccini (S). 4.00 Saturday Live (S). 6.30 In Concert (S). 7.30 Phil Kennedy. 9.30-12.00 am Dixie Peach.

BBC RADIO 2
8.05 am David Jacobs (S). 10.00 Sounds of the 60s (S). 11.00 Album Time (S). 1.00 pm The Impressionists. 1.30 Sport On 2: FA Cup Review; Rugby Union: Commentary on France v Scotland; Football: Commentary on the second-half of one of today's cup-ties; Cricket: News from Melbourne on the end of England's opening one-day international against Australia; 5.50 Racing results; 5.55 Pools news and football results. 6.00 Folk on 2. 7.00 Beat the Record. 7.30 A Night in Vienna (S), including 8.20-8.40 Interval—Peter Kemp talks about Edward Strauss I's concert visit to London in the spring of 1885. 9.30 Big Band Special (S). 10.02 Sports Desk. 10.05 Steve Jones (S). 12.05 am Night Owls introduced by Dave Gelly (S). 1.00 Peter Dickson presents Nightride (S). 3.00-4.00 Wally Whyton (S).

BBC RADIO 3
7.00 am News. 7.05 Aubade (S). 9.00 News. 9.05 Record Review (S). 10.15 Stereo Release (S). 11.15 BBC Symphony Orchestra (S). (12.20 pm Interval Reading). 1.00 News. 1.05 Shura Cherkassky, piano recital (S). 2.00 Verdi's Opera: "Otello". Jon Vickers sings the title role in this performance conducted by Tullio Serafin (in Italian) (S) including 3.15-3.20 Julian Budden on the opera. 5.00 Jazz Record Requests (S). 5.45 Critics' Forum. 6.35 Ileana Cotrubas and Geoffrey Parsons, Song recital, part 1: Schubert, Wolf (S). 7.10 Anyhow, How Are Things? 7.30 Song Recital, part 2: Debussy, Britten (S). 8.15 BBC Welsh Symphony Orchestra: Strauss, Rachmaninov (2nd Piano Concerto, with Howard Shelley); (9.10 Interval Reading). 9.20 Tchaikovsky (Symphony No 5) (S). 10.15 Elgar; John Bingham is the soloist in the Piano Quintet Op 84 (S). 11.00 Norway after Grieg (S). 11.57-12.00 News.

BBC RADIO 4
7.00 am News. 7.10 Today's Papers. 7.15 On Your Farm. 7.45 In Perspective. 7.50 Down to Earth. 7.55 Weather; Travel. 8.00 News. 8.10 Today's Papers. 8.15 Sport On 4. 8.46 Yesterday in Parliament. 8.57 Weather; Travel. 9.00 News. 9.05 Breakaway. 9.50 News Stand. 10.05 The Week in Westminster. 10.30 Pick of the Week (S). 11.30 From Our Own Correspondent. 12.00 News; Money Box. 12.27 pm Blandings. 12.55 Weather. 1.00 Any Questions? 1.55 Shipping Forecast. 2.00 News; The Afternoon Play (S). 3.00 News; A Lexicon of Laughter (S). 3.30 Mabrak. 4.15 Winter at Deephill. 4.45 A Sideways Look At . . . by Anthony Smith. 5.00 Wildlife (S). 5.25 Week Ending (S). 5.50 Shipping Forecast. 5.55 Weather; Travel. 6.00 News. 6.25 Desert Island Discs (S). 7.05 Stop the Week with Robert Robinson (S). 7.45 Baker's Dozen (S). 8.30 Saturday-Night Theatre (S). 9.58 Weather. 10.00 News. 10.15 Evening Service (S). 10.30 Soundings. 11.00 Science Now. 11.30 In One Ear. 12.00-12.15 am News.

RADIO LONDON
7.32 am Good Fishing. 8.04 London Weekend. 8.30 The Magic Carpet Company. 9.03 It Seems Like Only Yesterday. 9.30 Corridors of Power: On the Rates. 10.02 All That Jazz, with Brian Priestley. 11.30 Jeff Young's Saturday Show. 2.02 pm Breakthrough. 3.30 The Great Composers. 6.00 Guideline. 6.30 Big City. 7.30 Hold the Front Page. 8.00 Eastern Ear (Eastern music). 8.30 Good Fishing. 9.00 As Radio 1. 12.00-6.00 am As Radio 2.

LBC
7.00 am AM with Peter Deeley. 10.00 Clive Bull's Fix-it Phone-in. 1.00 pm Time Off with Steve Crozier. 2.00 Sportswatch with Jeff Stelling. 6.00 Six O'clock News with Paul Woodley. 6.30 Sara Lupino-Lane's Cinema Screen. 7.00 Geet Mala with Suresh Joshi. 9.00 Hallo Kierkuc's Sight Unseen. 9.30 The Mating Game. 10.00 Dan Damon's Nightline. 12.00 am Steve Allen's Night Extra.

CAPITAL RADIO
7.00 am Dave Cash's Breakfast Show. 10.00 Pick of the Pops Take Two with Alan Freeman. 12.00 Jessie Brandon. 2.00 pm Mick Brown. 5.00 Greg Edwards' Soul Spectrum. 7.00 David Rodigan's Roots Rockers. 11.00 Mike Allen. 1.00 am Fusions with Steve Collins.

CHESS SOLUTIONS

Solution to Position No. 555

It loses: 1...RxP? 2 RxR, RxR; 3 RxB, RxB; 4 Q-N2 and now if RxRP; 5 Q-N7 (threat R-R8); Q-KB1; 6 R-R8, N-K1; 7 Q-Q7 wins. Black tried 4...Q-QB1 but resigned after 5 RxRP since 5...R-Q6; 6 Q-QB2! QxQ; 7 R-R8 ch mates.

Solution to Problem No. 555

1 R-Q5. If 1...P-B4; 2 B-B1, P-B5; 3 R-Q2, KxP; 4 R-Q5 mate. If 1...P-B3; 2 R-R5, P-B4; 3 BxP, KxP; 4 B-K3 mate.

LEISURE

Janet Marsh lauds the ILN

How to switch off the time machine

READERS will know how often I turn up the Illustrated London News to discover contemporary reactions to almost any event or phenomenon of the last 143 years. At other times, for example, when suffering from 'flu, I retreat entirely into the other worlds opened up by those evocative volumes.

Physically it is not easy. The volumes tend to weigh a good half stone each, which involves some ingenuity in arranging them for easy reading in bed. Once that is organised, though, the time machine is off. Last week's 'flu was nasty enough to take me from 1842 to 1861—a familiar journey, but always opening up new prospects.

Sir Arthur Bryant, another lifelong devotee, wrote that the bound volumes of the Illustrated London News, viewed in their entirety, "constitute what is probably the most important single pictorial source for the social history of any age or country. I can think of no other from which the social historian of the Victorian age and our own revolutionary century can draw so much."

It was a wonderful invention, the world's first illustrated newspaper, forerunner of Life, Picture Post and Paris-Match, but much more marvellous than these to its first readers—even more startling perhaps than the advent half a century later of moving pictures. "Our aim," the editors wrote in their first number, is to "keep continually before the eye of the world a living and moving panorama of all its actions and influences."

This was the first time the public had available to them a regular and reliable documentary record to feed their mind's eyes with riches of visual information—the faces of the great; the people and landscapes of India, China, Japan, Russia, Australia, America; images of war, fire, shipwreck and other catastrophes; the fashions, foibles, personalities, dramatic successes and technological triumphs of the great metropoles of the world. All at sixpence a week. Today we marvel at the variety and vigour of the woodblock illustrations. The impact on contemporaries must have been tremendous.

The Illustrated London News was a great Victorian success story, the brainchild of Herbert Ingram, who was born to a poor family in Boston, Lincolnshire, in 1811. Apprenticed to the printing trade, by 1834 he was in business with his brother-in-law in a company of printers and stationers. A side-line in a patent medicine, Parr's Life Pills, proved profitable enough for Ingram to launch in 1842 the illustrated newspaper he had long dreamed of. Seeing from the start the drawing power of royalty, Ingrams featured in the first issue somewhat inventive pictures of a Buckingham Palace masquerade, and instantly sold out the first printing of 20,000. By the time of the Crimean War, sales had increased tenfold.

The secret of Ingram's initial success, as well as the lasting attraction of his magazine, was his skill in seizing so accurately upon the moods and concerns of the moment. In the earlier years, the binding of each volume bore a gilt vignette, emblematic of the outstanding news event of the half-year. In 1848 it was the Revolution in France; in 1849 Ireland brought into gaze by the Queen's state visit; through 1850 and 1851 the Crystal Palace and the Great Exhibition. 1852 began with a craze for Australia after the gold rush, but the vignette on the second half-yearly volume mourned the Iron Duke. From the time of the Crimean War, Britain's miscellaneous conflicts, conquests and alliances ornamented the binding and filled the pages.

Before the days of jumbo jets: Loading elephants at Calcutta

The Victorians seemed even more instantly vulnerable to crazes than we are today in our multi-media world. Spotlighted by some royal visit (events that were recorded hour by hour in innumerable pictures) the readers would be regaled for weeks on end with images and descriptions of the topography and social habits of Russia or Turkey or France or Germany or Japan or wherever the place of the moment might be. In the early 40s the dominant topic is railway speculation. Then we can pinpoint particular crazes for ballooning or ballet or bloomers. In the early 1840s the idols of the London stage were Grisi, Ellsler and Taglioni, goddesses of the romantic ballet. By mid-decade ballet was eclipsed by opera, with the arrival of Jenny Lind, who excited the most durable idolatry of the period.

It was an age that craved, worshipped and exhibited great personalities. The advertisements for amusements in the late 1850s reveal that in a single week you might have seen Albert Smith's one-man entertainment "The Ascent of Mont Blanc" at the Egyptian Hall or heard Charles Dickens reading at the St James's Hall; while at other venues P. T. Barnum was bragging to paying audiences about his feats of showmanship, while Lola Montez, Countess of Landfeld, the courtesan of the century, was drawing crowds with a pair of lectures, on her adventures in America and, appropriately, on "Strong-minded women."

It was an age of enormous political upheaval—the week by week record of the revolutions of 1848 still takes the breath away — and it was an age of social drama and technological innovation. There is no end to the surprises of discovering the origins of familiar objects great and small—the pillar box, for instance, invented with eclat in 1858, or the taximeter, first experimentally affixed to London horse-cabs in 1847, to the great chagrin of their drivers. The Illustrated London News vividly records public pleasures at Cremorne and Vauxhall and the theatres; and public works like new sewers, town halls and similar metropolitan improvements . . . 1860 sees the inauguration of the Metropolitan Line, and 1861 the opening of Victoria and of London's first street railway, as the tramline from Notting Hill to Marble Arch was called (designed by the happily-named Mr Train).

By 1861 I was over the 'flu, thank you. I can recommend no finer distraction for sickly days. The only trouble is that since I bought my quarter-ton run at £1 a volume, dealers have discovered that they can sell the individual prints, superbly engraved on boxwood for more than that; so that the volume price has multiplied 15 or more times. As time machines go, it is still cheap at the price. The Illustrated London News continues publication, of course, almost a century and a half after Ingram's inspiration; last week it changed ownership from the Thomson Organisation to Sea Containers.

Michael Thompson-Noel on cricket's world series

The Greatest Show on Turf

IT IS a pity, in a way, that David Gower and his England cricket team didn't sweep into Sydney this week on Concorde, for that would have shown the Australians, in no uncertain style, that the Poms mean business in the first World Championship of Cricket which starts in Melbourne tomorrow when England plays Australia.

Concorde arrived in Sydney, alright, as did the QE2 in what amounted to a marvellously synchronised display of force majeure. However, the England cricket team arrived from India by more prosaic means.

Billed as the Greatest Show on Turf, the inaugural World Championship of Cricket—a series of one-day limited-over internations—promises plenty of spills, and plenty of action, for it brings together all the major cricketing nations bar South Africa — Australia, England, India and Pakistan (who comprise Group A), plus the West Indies, New Zealand and Sri Lanka (Group B).

The semi-finals will be played in Sydney and Melbourne on March 5 and 6, and the final in Melbourne on March 10.

The Australians are determined to leave their mark on Group A, for their mauling this summer at the hands of the West Indies was painful and protracted.

First the Aussies were skittled over in the Tests, losing 3-1; then they were blown aside, like so much chaff, in the interminable World Series Cup, won by the West Indies, in which Australia's only consolation was the opportunity to behave spitefully toward Sri Lanka, the wooden spoonists.

To be fair, Australia won the first of the best-of-three World Series finals on February 6 when they beat the West Indies by 26 runs—an astonishing reversal of form reminiscent of Australia's win in the fifth Test last month, a win that set Australia crowing.

It was only their 11th win against the West Indies in 38 limited-over matches, and owed much to Alan Border's spirited 127 not out in 193 minutes—an inning that was beautifully crafted, and demonstrated why Border, who has taken Kim Hughes' captaincy, is regarded as Australia's only world-class batsman at present.

However, in the deciding World Series game this week, the West Indies cast off their mental tiredness and battered the Australians once more, winning by seven wickets. First they put Australia out for 178, thanks to some inspired bowl[ing] by Michael Holding (5-26). Then they scored 179-3 in 205 minutes and 47 over, led by a characteristically ruthless 76 by the marvellous Viv Richards, supported by opener Desmond Haynes (76 not out).

However tired the West Indians may have been, they celebrated in no uncertain manner—and who wouldn't knowing that their prize money for the summer had swollen to A$96,500 (£66,600)?

The Australians are at last heeding Clive Lloyd's advice, and experimenting with a roster of younger players, some of whom may make the trip to England in a few weeks. Fast bowler Craig McDermott is one, a husky Queenslander with a somewhat wilful approach, but who is definitely fast.

Another is Simon O'Donnell, a fast-medium bowler whose batting has improved of late—he swiped 69 against the West Indies this week, before being caught and bowled by Joel Garner, whose towering presence would have graced the two battalions of giants that, preceded by turbaned Moors and an enormous bear, were marched through the chamber of King Frederick William I of Prussia whenever the royal porphyria was at its worst.

Three other newcomers with definite appeal are Dean Jones, a blond batterer, Rod McCurdy, a fast bowler, and Tasmanian all-rounder Peter Faulkner.

His prestige and authority apparently rising by the hour, David Gower will have plenty of opportunity, over the next three weeks, for casting his eye over the New Australians, as well as mainstays of the side, such as Lawson (who bowls best with his mouth shut), Hogg (still imitating a puff adder), and Wessels.

The World Championship preliminaries:

Tomorrow: Australia v England; February 19, West Indies v New Zealand; February 20; Pakistan v India; February 23, New Zealand v Sri Lanka; February 24, Australia v Pakistan; February 26, England v India; February 27, West Indies v Sri Lanka; March 2, England v Pakistan; March 3, Australia v India.

Gay Firth reports on a new children's book prize

The sweet crunch of success

NEXT WEDNESDAY at noon, to joyful munching of Munchies and crunching of Polo mints, the National Book League will welcome a major new children's book prize aboard the merry-go-round of annual literary awards

It will be sponsored by Rowntree Mackintosh to the tune of £10,000 for the winning title. UK publishers, booksellers, and even the Lit. Crit. crowd will be impressed — to say nothing of the Smartie set. £10,000 is serious pocket money by any standards, especially authors', especially these days.

Rowntree's "can't release or confirm any details yet," but a hum as happy as the Hum of Pooh seems to suggest that the sponsored package may inlude subsidiary goodies, such as awards for titles in certain age-group categories or perhaps a prize for innovative work.

Over-excitement before the party can lead to tears before bedtime, but whatever candles are lit on the cake on February 20, they will light up the darkness. Children's books badly need a boost.

"It's a static market, and it needs all the help it can get," says David Ross, head of Methuen's Children's Books, which published 140 hardback and 90 paperback titles last year. All of them were launched into the international export ocean, as well as into our own national sea of titles which in 1984, counting in 802 reprints and new editions plus 163 translations, totalled 4,430—981 titles up on 1983.

That may seem healthy, but more titles are chasing after fewer children. Population in the 5-14 age group, hardcore of child readers, fell by 1.6m, or one-sixth, between 1974 and 1983: a further fall of 0.5m is forecast by 1991. A tale of declining sales in children's books (32 per cent in hardback home sales, nearly 40 per cent in paperback, and 45 per cent in hardback exports over the decade 1972-82) has a sequel showing only fragile recovery, despite serious, concerted effort by publishers and book marketeers.

Maggie van Reenen, director of the Book Marketing Council, says: "The institutional market in children's books is in very bad shape," and she can say that again: continuing reductions in library book expenditure and per capita primary school spending (down by 13.5 per cent for 1982-83 over 1975-1976) hurt badly.

Add in video games and the threat of VAT on books, and the wind fairly howls in the willows. But now, at one bound, children's books can leapfrog into the high-profile publishing and promotion game presently dominated by top-flight novels for grown-ups and by Booker-McConnell, whose long-sponsored Prize for Fiction (raised last year to £15,000 from £10,000) now reliably generates huge sales.

Antony Thorncroft explains why icons are undervalued

Treasures from lost cultures

ON WEDNESDAY Sotheby's is selling icons as part of an auction of Russian works of art. Three of the lots, icons painted around 1600 or slightly earlier, should go for around £20,000 each, but this remains a sector of the art market with few specialists and not many more collectors.

As John Stuart of Sotheby's observes "the buyer's premium paid on top of the hammer price for a top quality Impressionist picture can be higher than the record price paid at auction for an icon." Indeed, the cash-starved British Museum has probably paid more—around £200,000 each—for two icons than any private collector.

The British Museum is very interested in icons. It was anxious to buy the 60 icons collected in recent years by Mr Eric Bradley of Hampstead, and probably the finest group in the western world, for £2.1m. In the end it could not raise the cash and the icons will be sold piecemeal. They have a total valuation of £3.5m, and three minor icons have already been disposed of.

The fact that the British Museum is aware of both the artistic and historical importance of icons is probably the best news yet for enthusiasts. The key reason for the lack of interest, and low value, placed on icons is that no western national art gallery puts icons on view.

The National Gallery has a couple in its vaults, but for most art historians painting began with Giotto around 1300 and the Byzantine tradition, which became the Russian tradition, is just a prelude. It is this lack of knowledge, and sensitivity, that Richard Temple, a leading dealer in icons and the mentor of the Bradley collection, and Sotheby's and Christie's, are very anxious to dispel.

Temple believes that it is the religious aura of icons, and the fact that they represent a pre-Renaissance world view, which inhibits western art lovers from recognising their importance and their beauty. He fell in love with icons in 1959 when he bought his first, a 17th century Greek icon of St Gregory, for £11. He sold it in 1961 for £250 and by chance it is up for sale again at Sotheby's next week with a top estimate of £5,000.

For although this is a small market, mainly of European collectors, prices have moved steadily upwards. If only the museums started to buy; if only the Americans had the confidence to collect; if only icons started to be appreciated simply, without the doubts about forgeries, and stories of smuggling out of Russia, which quite erroneously hold back price levels, a very important art form would take its rightful place in the market.

As it is, a dealer like Temple often has to spend £1,000 on scientific tests to guarantee the authenticity of an icon.

Apart from their spiritual quality, which is at odds with the modern world, icons suffer because they are the products of lost cultures. The Russians might not be exporting icons with the same alacrity that they showed in the 1920s but they are certainly not buyers, and the great icons of Byzantium, so many of which perished with the city in 1453, mean little to modern Greeks, although in recent years there has been considerable Greek buying of later Cretan icons.

In an era which enriched nations spend lavishly to buy up their traditional culture there are few heirs to the mysteries of the Greek Orthodox Church.

Stuart thinks that 99 per cent of all icons have been lost and destroyed. Temple thinks that while the creative flame persisted in remote Russia for longer the great age of the icon ended when the Turks destroyed Constantinople. So top quality icons are rare and have often been restored. The shortage of the best led to the market being flooded with latter kitsch in the 1960s, with ultimately dire effects on prices, and collecting.

In every instance the advice for the investor in art is the same — only buy in a sector that interests you, and only buy the best, on the guidance of the greatest experts. You must respond to icons before collecting them, while the amount of knowledgable advice available is very limited, although at least London is the centre of the icon market.

14th Century Constantinople icon of St John the Baptist

At the moment the dispersal of the Bradley collection gives potential buyers the opportunity to acquire the finest icons — there are works dating from the 6th century, and eight from the Byzantine period, which are very rare indeed, along with 41 Russian icons.

This is not an inexpensive field. Temple reckons that a reasonably good icon will cost £8,000; there are a handful which sell for over £200,000. But such prices for some of the most spiritually profound and aesthetically beautiful works of art produced by man should seem ridiculously cheap in a few years' time.

When flowering proves fatal

GARDENING

ARTHUR HELLYER

THESE PAST two years a number of bamboos have died in my garden and both correspondence and conversation indicate that the same thing has happened in many other places. This has prompted the assertion that bamboos have been flowering, for there is a widespread belief that bamboos do this only rarely and that it is always fatal.

The truth is more complex than that. Some species do flower very infrequently and when they do it kills them. Others are weakened by flowering and if they do it several years running it can be fatal. This happened 20 years ago to two of my three plants of *Arundinaria fastuosa* and I have been waiting ever since in the expectation that suckers from the survivor would fill the gap for this bamboo is classed as one of the "running" kinds.

With me it has obstinately refused to produce suckers and is not even giving me any easy chance to chop out a couple of offsets to fill the gap. Clearly I should have purchased replacement plants directly the original ones died for this is a fine ornamental evergreen, one of the most handsome as well as the tallest of the fully hardy bamboos capable of reaching 20 ft, though with me, in what is probably too dry a place, it is no more than 12 ft.

The bamboo that has been dying with me lately is the very common *Arundinaria japonica*, more familiar to many gardeners under the old name *Bambusa metake*. This is a kind that, according to Dr C. E. Hubbard, the leading British authority on bamboos, has been flowering in many places since about 1950 but most plants have only bloomed on a few stems and only these have died. When all stems on a plant have flowered in the same year the whole plant has died.

This seems to tally with what has been happening to my plants and so, encouraged by Dr Hubbard's advice, I must attack with lopping shares those that are only partly dead and cut out all the leafless canes leaving the rest to regenerate the plants. Bamboo growth is tough and dense and the task intimidating.

Arundinaria japonica is another of the running kinds and gardeners have sometimes been warned not to plant it because it will become a nuisance, but this has not been my experience. The plants I have are now about 40 years old but, though they have certainly grown a lot, they remain as recognisable individuals and have never run together to form an impenetrable thicket.

By contrast, *A. viridistriata* soon does run together but it is only about 3 ft high and it is not difficult to chop it out with a sharp spade if it threatens to stray too far. It is one of my favourite bamboos because its bright yellow and green leaves are cheerful almost all the year round except perhaps for a month or so in late winter, by which time they have got rather weather-beaten.

Dr Hammond says it is one of the species that can usually be found bearing a few flowers but only on isolated stems and only these die. I have never noticed flowers on my plants, but that may be because I have not observed them sufficiently closely. There is more to gardening than admiring handsome plants or lovely vistas but much of it is overlooked.

Another attractive bamboo with striped leaves is *Arundinaria variegata*. This has white markings on a dark green base and the plant is only about 3 ft high, sometimes less, and is tufted and so non-invasive. Quite the reverse is true of *Sasa veitchii*, a short bamboo that at one time was known as Arundinaria albo-marginata, implying that it had leaves with white edges. The truth about this ugly plant is very different.

The leaves are quite broad for a bamboo and dark green, but as they age they die around the edges, first turning yellow and then ash-grey. The plant is a ramper spreading rapidly into dense thickets and is certainly to be avoided.

Two of the prettiest bamboos are *Arundinaria murieliae* and *A. nitida*. In leaf and habit they are much alike, but the young canes of A. nitida are nearly black. Neither is aggressive, and quite old plants remain isolated as neat clumps. Dr Hubbard says that after about 80 years in cultivation *A. nitida* has never flowered and so there have been no deaths on this account. He is silent about *A. murieliae* but it is a fairly common plant and I cannot recollect having seen a dead one.

One of the most extraordinary stories of flowering and death concerns the plant known in gardens as *Phyllostachys henonis* though it is, in fact, a green stemmed variety of the black stemmed species *P. nigra*. It is exceptionally beautiful with slender stems arching outwards beneath the weight of their narrow but abundant leaves.

In the first five years of this century this bamboo flowered so freely and continuously that it was almost wiped out. It took many years to work up stock again but it is now available. Presumably there must always be the possibility that a similar disaster will occur again but it seems a risk worth taking.

Sobering thoughts on champagne

WINE

EDMUND PENNING-ROWSELL

HOWEVER JUSTIFIABLE on grounds of production costs, champagne remains an undeniably expensive wine: and the competition is growing, not only within France. Everywhere in the sophisticated world the popular taste spreads for sparkling wine, whether *méthode champenoise* or not.

It is vital, therefore, for the champagne industry from time to time to check whether the reputation of its product is being maintained; particularly in France where two out of every three bottles of champagne are consumed. This check they make through their inter-professional trade body and the market research concern L'Institut Francais d'Opinion Publique (IFOP).

Roughly once in a decade this organisation conducts a survey by means of a questionnaire sent to a sample of 1,100 people representative of the French population. This is preceded, as common in such enquiries, by discussions among varying age groups in and outside Paris.

This "qualitative" phase is followed by the "quantitive" one of the questionnaire, which contains 39 questions, some of them quite lengthy. The earlier inquiries took place in 1967 and 1975, while the latest was carried out from last May to the beginning of July, and the preliminary results have now been published.

The minimum qualification for a participant in this inquiry was that he or she had drunk champagne at least once in the last year. This, however, presented a good deal less difficulty to the organisers than it would here in Britain, for it transpires that nine out of ten French people of drinking age successfully pass this test. The overall average must be around one bottle a quarter.

One of the first questions asked was on what type of occasion was the last bottle of champagne drunk; and the answers reveal a distinct shift in taste. Whereas in 1975 61 per cent was drunk with dessert, the traditional time in France, last year this was reduced to 50 per cent, while champagne as an aperitif, as it is generally drunk in the UK, almost doubled—from 13 to 25 per cent.

A surprisingly large 23 per cent (24 per cent in 1975) drank it outside a meal, but only 9 per cent (10 per cent) had it with a meal. (The total exceeds 100 per cent, because some people consumed champagne more than once on this last occasion.)

The respondents were then given a list of 14 alcoholic drinks and asked to state which three they would prefer when asked out to friends' homes or to a restaurant. AC red wine rather naturally came first in France, with 73 per cent (60 per cent in 1975), but champagne not only came second, but improved its position from 43 to 55 per cent. Somewhat surprisingly port came third with 24 per cent, one point ahead of dry white wine.

Those who had opted for champagne among their three wines were asked whether, with champagne not available, would they choose another sparkling wine; and, indicative of the increased competition, whereas 38 in every hundred agreed last year that they would take another sparkler, this compared with 31 in 1975.

This clearly reflected the relatively high cost of champagne in France recently in relation to the cost of living, and this was reinforced by the preferences of those who found champagne too dear. Forty-two per cent would opt for a *petillant* wine, compared with only 7 per cent for a wine-based apéritif or whisky.

For formal occasions and ceremonies champagne has strengthened its position over the years. Whereas in 1967 the proportion varied from 59 to 78 per cent, according to occasion, and 70 to 84 per cent in 1975, by 1984 this had grown to an unqualified 93 per cent. Moreover those who thought it "indispensable" to have champagne when inviting friends to dinner at one's home had risen from 15 per cent in 1967 and 29 per cent in 1975 to 41 per cent last year.

At family reunions, cocktail parties and important receptions champagne received very high ratings, while 71 per cent of those asked if they would willingly seek out a bottle of champagne for "*un diner entre amoureux*" replied yes; and even for a reconciliation after a lover's tiff 53 per cent would open a bottle of champagne.

Brand recognition and loyalty was the subject of further questioning, and it emerged that 33 of every 100 buyers always bought the same *marque*, while a further 35 stuck to a small number, compared with 28 who often varied the brand and four who did not know.

As a result of the questionnaire, it was statistically possible to divide champagne drinkers in France into four categories. First there are the large-scale consumers, who really know their champagne, are in the historic tradition of champagne drinkers, and appreciate its quality. They account for 21 per cent.

After them come the 16 per cent of average champagne drinkers, who have a certain interest in the wine, yet have a good deal to learn, and for whom it is to some extent bound up with social life. An equal percentage of occasional drinkers' champagne consumption is restricted to a few opportunities a year at traditional times.

That leaves no less than 47 per cent who drink champagne very occasionally in rare, exceptional or accidental circumstances. Apparently they include many young people, for whom champagne must indeed be a luxury, and women, who may be more cautious in their purchases and their consumption than their menfolk.

The general conclusion to be drawn from this inquiry, a fuller report on which is to follow, is that champagne has improved its relative position in France, although in recent years sales dropped owing to the short-crop vintages before 1982, which led to higher prices, above the rises in the cost of living.

IF CLARETS at Thursday's Christie's sale did not produce the remarkably high prices of a fortnight ago, those wines auctioned were much more likely to have been in the possession of less affluent consumers and most came from private cellars. On offer were more than 30 different chateaux's wines of the 1970 vintages.

Widely bought after three moderate to poor vintages, the class growths are now within reach of maturity. But current prices, while within the estimates, were seldom higher or as high as last year's best. This applied even to the first growths whose prices per case were as follows: Petrus £1,750; Lafite £940; Mouton-Rothschild £780; Latour £680; Margaux £640.

Then followed a wide gap between these and the prices of the seconds and their market equivalents: Ducru-Beaucaillou £340; Beychevelle £330; Leoville-Las-Cases £320; Montrose £280; Leoville-Barton £260; Cos d'Estournel £240; Pichon Baron £230; and Brane-Cantenac, Canon Leoville-Poyferre and Pape Clement all £210.

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The main problem

"THE main problem," said President Ronald Reagan this week, neatly inverting the logic of European politicians, "is not the strength of the dollar but the weakness of foreign currencies." The strength of the dollar and the weakness of other currencies are, of course, merely two sides of the same coin and attempts to shift the blame for the extraordinary gyrations in currency markets do nothing to remove confusion about the underlying causes of exchange rate shifts.

The only thing that seemed certain on Friday was that the "main problem" was, at least for the day, a little less acute. The sharp downward adjustment of the dollar yesterday seemed to have two immediate causes. First, the U.S. currency had become overbought on a technical view and there was a good deal of single profit-taking. Secondly, and perhaps more important for the dollar's short-term performance, currency markets have become more aware that in recent months the U.S. has been suffering from a mild case of Britain's recent disease: excess monetary growth.

Recent benchmark revisions to the U.S. monetary statistics show that M1 growth last year was significantly faster than previously realised. M1's annualised growth in the past three months has been in double digits—in these circumstances the currency markets were likely to find some excuse to mark the dollar down. The question now asked is: how much longer can Mr Paul Volcker, chairman of the Federal Reserve, acquiesce in this monetary expansion, especially with the U.S. real economy showing renewed signs of life? The markets will get an answer of sorts next Wednesday when Mr Volcker testifies before the Senate Banking Committee. On balance, despite pressure from the Administration, it appears unlikely that Mr Volcker will announce any further loosening of monetary policy.

Double digits

If the dollar is looking slightly more vulnerable now than in recent weeks, the same same cannot be said for Wall Street. A new method of optimism seems to be emerging, and with the Dow hovering around the 1,300 mark, it is no longer fanciful to talk about the possibility of a second leg to the bull market which sent U.S. equities soaring in August 1982. It would be entirely consistent with recent events for U.S. equities to show solid gains just when the dollar shows signs of faltering. There has been a curious inverse relationship between currencies and stockmarkets in the past year.

The London stock market, for example, rose strongly in 1984 but foreign investors—at least from America—did not make much money because of sterling's weakness. On Wall Street, the reverse happened: equity prices, until very recently, have been flat yet foreign investors have made quite healthy profits because of the dollar's strength. In the UK, the simultaneous strength of the stock market and weakness of the currency is not as strange as it sounds: about half of UK corporate profits are earned overseas and automatically rise in sterling terms as the exchange rate declines. Much of domestic industry also welcomes the gains in competitiveness brought by the weaker pound.

The hard question is whether the rise in U.S. equities reflects a correct anticipation of renewed economic growth and higher corporate profits or is a consequence of the increase in liquidity resulting from the Fed's looser monetary policy in recent months. If the optimism beginning to appear on Wall Street does reflect improving economic fundamentals, then a long-awaited stockmarket rally could be consistent with a strong dollar. But if excess liquidity is the explanation, the dollar may remain strong in the short term because interest rates will rise once the Fed is obliged to tighten the monetary reins and the stockmarket optimism will fizzle out.

Gyrations

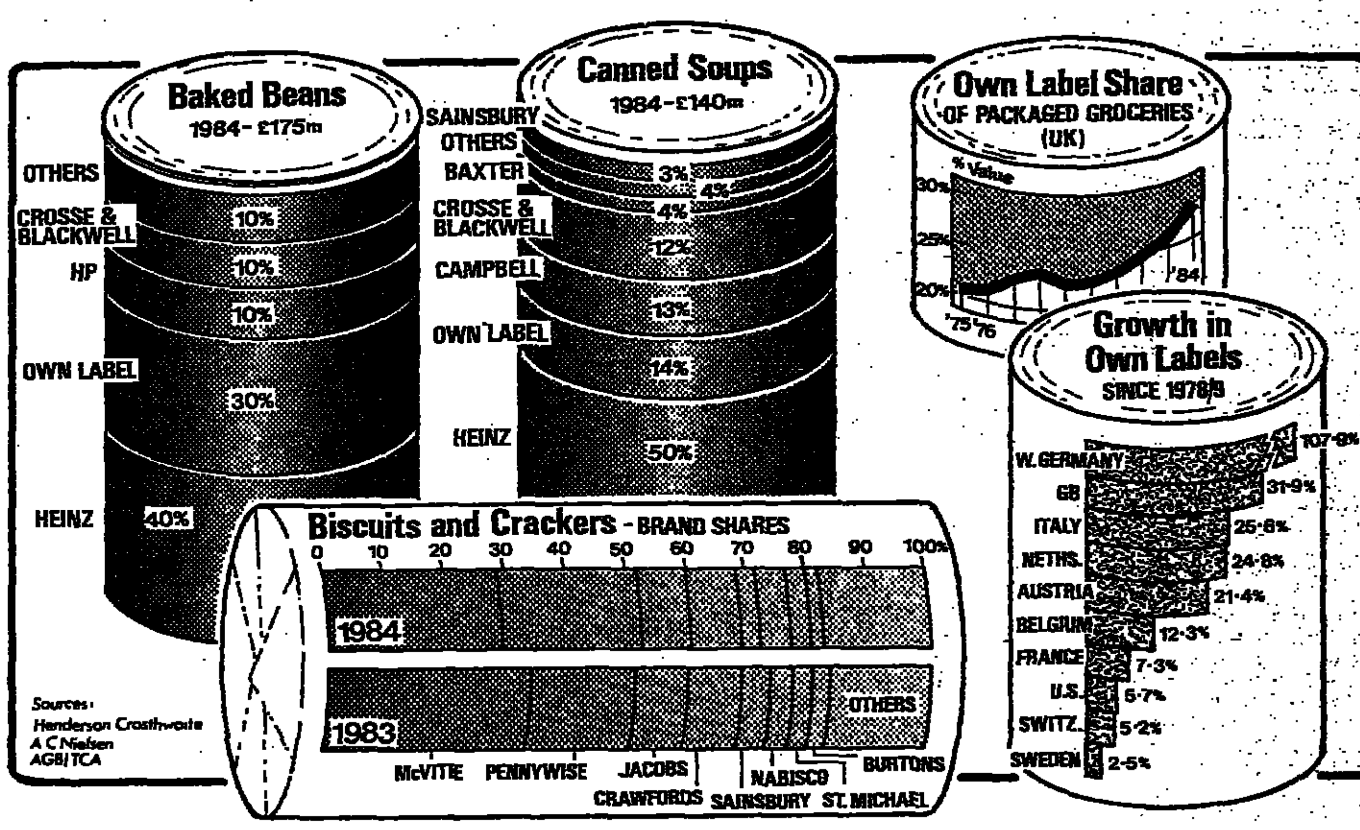
The main problem for the rest of the world, if not for the U.S., remains the difficulty of anticipating the future gyrations of currency markets. It is usually possible to find explanations for short-term movements in the dollar, such as yesterday's setback. It is much harder to make sense of medium-term movements. A forecaster who predicted a year ago that the dollar would be hovering around Dm 3.27 today and that sterling would be worth only $1.10 would have seemed foolhardy. Certainly, it seems that there are no computer models which are capable of forecasting exchange rates accurately.

Inflation rates around the world are now relatively low and not so very far off the levels that in the 1960s were consistent with quite stable exchange rates are now dominated by very volatile capital flows which dwarf trade transactions. The result is that for prolonged periods exchange rates can bear little apparent relation to underlying economic fundamentals, and official attempts to intervene in the markets have had very limited effect so far.

UK FOOD MARKET

Brand leaders go to war

By Carla Rapoport



Bob Hutchison

FOR a momoent this week, it looked as if H. J. Heinz, the world's ketchup and baked beans king, was in big trouble in Britain. In separate announcements at its Wigan and Harlesden plants, the group announced it will be shedding nearly 40 per cent of its staff in Britain over the next five years, with a total loss of nearly 2,000 jobs.

The Heinz announcement swiftly brought back memories of 1981 and 1982, when big job losses by well-known companies were cropping up almost weekly. At first glance, it seemed that Heinz had been badly out of step with the rest of British industry, or that Britain's food manufacturing business was going sour.

A closer look, however, shows that neither of these assumptions are correct. Heinz's announcement opens a window on what is developing into one of the fiercest battles that Britain's hotly competitive food sector has yet seen. At stake is the balance of power within one of the toughest markets in the western world.

At the moment, that balance lies firmly with the food retailers. Britain's top eight retailers now account for 63 per cent of all UK grocery sales. Their success is rooted in their commitment to service, innovation, quality and value. Their success, however, has stemmed from their success in getting some of the best and most competitively-priced products into their own stores under their own label and is steadily strengthening their own images.

This own-label business has become the biggest threat to the food manufacturers. Now, rather than fighting among themselves, more manufacturers have decided to fight the own-label battle with the retailers on new ground. Their weapons, they believe, will be cost-efficiency, technological and product innovation and strong advertising support.

Not everyone will have the money to play, or the range of products to offer. But after 10 years of battering by the rise of supermarket's own-label food products, the brand leaders are determined to fight back.

Own-label food products are generally 10 per cent cheaper than branded goods, although some cost as much as 20 per cent less. Brand leaders are now aiming to invest in the kind of equipment which will help them keep this gap as narrow as possible.

They are also spending more freely on advertising to build—and keep — loyalty to their brands in an effort to jump over the head of the retailer and appeal directly to the consumer.

Nestle, Unilever, Kelloggs, General Foods are all increasing their advertising budgets—some as much by 20-25 per cent. Their tactic has switched to an offensive one, aimed at redressing the balance of power.

Heinz's case neatly illustrates the new mood of militancy. The company has been shedding labour since 1975, when jobs numbered nearly 8,600. Last year the figure was less than 4,800. The company has been investing in its plant, but not fast enough. Its share of the £175m baked beans market, for example, unceremoniously dropped from 38 per cent in the late 1970s to 32 per cent by 1982, largely because of the competition from cheaper own-label baked beans. Heinz started to beat its way back and its share has since recovered.

Heinz now intends to plough £100m into its two UK plants over the next five years, in the biggest single capital investment programme for the company world-wide. It also increased its advertising support for its soups and beans by about 25 per cent last year and will do something similar this year.

"We are going to take a very aggressive stance in the UK," says Mr David Sculley, the American deputy managing director at Heinz UK. "We are going to take on the own-label business as our biggest competitor. And I will tell you what is going to happen. At the end of it, you are going to have the brand leader and own-label; the numbers two, three and four will fall away."

Mr Ray Monbiot, head of Campbells UK, a second-ranking player in the soups market, said yesterday that he wished Heinz "best of luck." Nonetheless, he said, he had no intention of rolling over and dying. The battle between the market leaders and own-label will no doubt be a fierce one, with the smaller independent canning operations likely to be hurt. But this point obscures the important question of how the manufacturers lost the edge on their own market in the first place.

The business of selling a food product with a retailer's name, not a manufacturer's brand, has become almost a religion in Britain.

Unlike the U.S., where retailers pushed out simple unadorned own-label packets, with no advertising support, British retailers grew to see own-label foods as an extension of their high image and respectability among their customers. Not surprisingly, growth in own-label in the U.S. has been much less prominent than in Britain.

As the chart shows, own-label in Britain rose from 20 per cent of the total grocery market in 1975 to 28 per cent last year. From commodities like flour and cooking oil, the own-label sector swiftly spread into more speciality items like yoghurt and sauces.

> The business of selling a food product with a retailer's name has become almost a religion in Britain

Within the past few years, the most exciting new food products seemed to be appearing under grocer's names, not manufacturers. Mr Sculley admits that Heinz hadn't introduced a new soup in years when he arrived in 1983. Sainsbury, Britain's largest retailer, on the other hand, introduced more than 250 new products under its own name in 1982 and more than 700 products in 1983.

"I'm ashamed to say its retailer-led," says Mr Peter Barr, chairman of Hazelwood Foods, a successful food manufacturer specialising in the own label business. "In the U.S., own-label is just a device to sell cheaply. Here, it represents a partnership betwen the supplier and the retailer to provide the highest quality possible."

His customers, Mr Barr explains, have boosted their technical staff significantly over the past few years. "They design the product and the packaging. They are the marketeers, not us," he says.

Relieved of the pressures of advertising and marketing, the own-label manufacturers have spent heavily on the best equipment for their customers. Hillsdown, the newly-listed UK food group, provides the best example of how the own-label partnership got the better of many of the oldest names in the food business.

According to Colin Lazenby, managing director of Lockwoods, a division of Hillsdown, the group's baked beans division installed new equipment which cut down the soaking and blanching of baked beans from the traditional 20 hours to less than an hour before most of its major competitors. The process was developed by a local engineering firm in Long Sutton, Lincolnshire, where the group's baked beans are made.

Hillsdown provided similar innovations in packaging, by switching promptly to shrink-wrapped bulk containers, from paperboard cartons. The shrink-wrapped presentation was strictly for the convenience of the retailers, who were able to unpack and stack the cans more easily out of the new containers. Mr Lazenby estimates that 80 per cent of tinned foods are now shipped in this manner today.

At the same time, Hillsdown's Lockwoods subsidiary slimmed down from five to two factories, while maintaining its production levels. While the industry's overall employment dropped from 740,000 ten years ago to 470,000 today, own-label manufacturers absorbed a larger percentage of the cuts because of their zealous and continuous focus on costs.

But now that the branded manufacturers have declared war on own-label competition and are putting millions of pounds of new investment and advertising expenditure behind their threats, will the balance of power shift?

"In a perfect world, I would prefer a branded business anyday. James Robertson (the jam business) will be here in 50 years," says Dr John Randall, chairman of Avana Group, the successful food company which manufacturers on both sides of the food fence.

As far as Avana is concerned, any interesting new product it devises will have to be sold by one of its private label customers—a new Avana ground coffee product will soon go this route. Avana, despite its success with James Robertson, is keeping well out of the fray.

But behind Avana is a new generation of food manufacturers determined to do things somewhat differently. One of these is Bernard Mathews, the Norfolk-based turkey group, which as quadrupled its sales to £100m over the last five years and intends to keep the pace of growth constant.

Matthews is committed to advertising in a way that makes most manufacturers [illegible] blanche. The company will be boosting advertising by 25 per cent this year and spending at an annualised rate of £10m. As before, the commercials will star the chairman and be created without the aid of an advertising company.

The commercials will concentrate on Matthew's new products, all of which are made using technical processes that have never been used in the UK before. The group's turkey breast roasts, for example, involve extruding a whole muscle meat into a pork fat emulsion. "This is pretty sophisticated technology. We get asked to do own-lebel business with it almost daily. So far we have refused," says George Hayes, the group's marketing director.

But Matthews' flair for advertising is not shared by his fellow executives in the business. In Britain's £350m-a-year biscuit sector, advertising was chugging along at just £5m during the mid-1970s. In 1980, however, the rise of own-label startled more than a few manufacturers. The result has been that combined media spending soared from £11m in 1980 to £25m in 1983 and continues to rise.

The secret weapon necessary for combatants on either side is best explained by Mr David Hoyle, head of research and development for United Biscuits, one of Britain's most efficient food manufacturers. "The magic everyone is looking for is investing in efficient plant and then finding it is flexible enough to cope with the changes in the marketplace," said Mr Hoyle.

For United Biscuits, that kind of flexibility has allowed the group to drop Bunty's Sponge and move into products like 5-4-3-2-1, a new multi-pack confectionary with a light crunchy taste. UB has enjoyed long relationships with its equipment suppliers, companies like Baker Perkins, and Vickers.

"You cant discuss the year 2000 with a company you just met," says Mr Hoyle.

This kind of technological edge has helped companies like Kellogs keep their sector fairly clear of own-label rivals. In other areas, it has helped win customer loyalty back.

Instant coffee manufacturers, such as Nestle and General Foods, have helped win back their market with advanced production techniques and high media spending. In the last ten years, the own-label acceptance of instant coffee has run against national trends, dropping from 31 per cent to 21 per cent last year.

HMr Tony Lamb, deputy managing director of UB Biscuits, believes that own-label may be peaking. He points out that with the exception of one or two retailers, very few own-label businesses can maintain the pace of innovation in the years ahead.

"Innovation comes from the branded sector," he maintains, provided the branded businesses are healthy.

"If you've got the guts to be a brand leader, you can do very nicely," says Dr Randle.

Letters to the Editor

Making the rich richer

From Mr S. Stewart

Sir, — I am surprised that none of the letters you have published on VAT, following Mr Prowse's article of January 28, questioned what he said about taxation before the Second World War.

The Annual Abstract shows that in 1938-39 no less than 9.8m persons paid tax and since this includes married couples as one person it is clear that a significant majority of the gainfully occupied population paid tax on their incomes, not just "the prosperous few."

The figures also show that taxes on personal incomes accounted for 43 per cent of ordinary revenue compared to 37 per cent in the case of Customs and Excise. Table 14.4 of the current Abstract, which covers "General government," gives a split of 34 per cent and 40 per cent respectively. This excludes national insurance, a highly regressive tax.

It is an abuse of language to describe as fiscally neutral a scheme which seeks to finance the whole expenditure of Government by imposing a proportionate tax on all incomes in the guise of an expenditure tax. The aim is simply to make the rich richer at the expense of the rest of the community. That is evident from Mr Prowse's desire to increase the return on investment simply by reducing the tax on investment income. His suggestion that the poor could be compensated by an increase in benefits is worthless in view of the Government's antipathy towards al such expenditure and because the change in relative prices would mean that the poor would have even less warmth and even less to eat.

There are much better ways of introducing fiscal neutrality. Mortgage interest relief could be phased out as interest rates fell. Pensions funds could be fully taxed on all contributions not used for investment in index-linked Government stocks. These stocks provide the perfect answer to all the problems which have been raised on pensions, at the same time reducing the cost of running the schemes. The private shareholder would once again come into his own.

Shaun Stewart.
The Old House,
Willards Hill,
Etchingham, East Sussex

Helmut Schmidt's contributions

From Lesley Abdela

Sir,—Peter Jay (February 2) was being a bit cruel in his book review on the Bundesrepublik's ex-Chancellor, Helmut Schmidt. Schmidt's positive contribution to the European scene was that he gave some life to our perception of West Germany—this is no mean feat. He also took the first hesitant steps in testing whether the West Germans wanted to become "equal partners" in the Western Alliance, or whether the presence of Warsaw Pact forces in the hundreds of divisions on their borders was intimidating—plus the fact East Germany is dominated by the Soviet Union, whose acquiescence will be needed for any German unification.

And of course Schmidt was not the only Western statesman to consider President Carter a figure of fun rather than a serious President, an image not helped by the curious footwear of his Georgia aides. But Jimmy Carter actually played it straight with Europe.

I do agree that Helmut Schmidt did not deliver "intellectually rigorous" speeches (as we are sure, of course, that P. Jay would have!) but that fault is part of German senior politics and goes back decades. Schmidt proved one important fact beyond doubt: the West Germans do not want to be senior partners in the most fraught decisions on cold war matters. This leaves an important vacuum that Germany's "equal partners" have constantly to scramble to fill.

Lesley Abdela.
The Granary, Dean Manor,
Charlbury, Oxon.

Radiation and cancer

From the Head,
Department of Radiobiology,
The Medical College of
St. Bartholomew's Hospital.

Sir,—I have only just seen the letter (January 18) by Dr Little that low levels of radiation carry no cancer risk and that there is an "abundance of evidence which shows that there is a possible biological mechanism whereby low-dose levels of radiation could cause cancer."

Both her statements are wholly incorrect. Indeed, there is a wide consensus in the scientific community that cancer is the most important risk from ionising radiation at low doses. There is strong evidence from human and experimental animal studies that the risk of cancer in practically every organ is approximately proportional to the dose of ionising radiation received and that this is true down to doses as low as 1 rad (ie, equivalent to the dose one would receive if one had a dozen or so medical X-rays). The risk of such a low dose is extremely small—less than one chance in 10,000 but it is not zero.

(Dr) J. E. Coggle.
Charterhouse Square, EC1.

Hamnet, Hamblet and Hamlet

From Dr R. Wilson

Sir,—In his review of the Young Vic *Hamlet* (February 6), Martin Hoyle accuses me of, in effect, falsifying facts "to make a political point," when I wrote in the programme-note for the production that the odd name, Hamlet, must have had special significance for Shakespeare since he gave it to his only son. This is a serious kind of accusation to level at any academic, and since I and the University of Lancaster were subjected to a similarly sneering but unsubstantiated tirade from the same reviewer over unspecified "details" of my programme-note for the earlier Young Vic production of *Othello*, it is important that this apparently pedantic matter is set straight.

Shakespeare's son was actually christened Hamnet, but, as Sir Edmund Chambers long ago established in his biography of the dramatist, the names Hamnet and Hamlet were interchangeable in the period. Hamnet Shakespeare is generally supposed to have been named after a Stratford baker, Hamnet Sadler, whose name appears in the town records indiscriminately spelt as Hamnet, Hamblet and Hamlet. Nor should this occasion any surprise, since the Elizabethans were unconcerned about spelling, and Shakespeare spelt his own surname in at least four different ways. Hamlet and Hamnet were, in fact, both equally acceptable English variants of the Norman name Hamon (or Hamo), and it is therefore simply untrue to state, as Hoyle has done, that I have contrived "to get the name of Shakespeare's son wrong" to score a point.

What's in a name? As Shakespeare showed in many plays, and as your reviewer's outburst confirms, a great deal. A writer endlessly punning on his own name is most unlikely to have chosen his children's names at random. His was an age when names were chosen for their historical association and, as it happens, Shakespeare gave all his children the (then unusual) names of famous opponents of unjust governments: his twins were both given the names of regicides who saved their country, since Judith was as celebrated for beheading the tyrant Holofernes as Hamlet was for killing Claudius, and Susanna, his youngest child, was called after the incorruptible virgin who exposed the wickedness of the judges. The author of *Hamlet* was clearly preoccupied by the "rottenness" of "the state," and he lived in a society where no name was a coincidence, since it believed that, as he wrote, "Name is fame."

(Dr) R. F. Wilson.
Department of English Literature, The University, Lancaster.

GLC loan debt kept down

From the Deputy Leader, Greater London Council.

Sir,—Mr Andrew Mitchell (February 6) expresses the wish that there was more discrimination against local authorities fighting the Government rate capping to "stop them continually increasing the level of debt which will one day have to be repaid by their (hopefully) more responsible successors."

He has failed to read your article of December 7 last, which shows the consequences of abolishing GLC is the exact opposite of that which he condemns. GLC has kept its loan debt down, by internal capital financing. The Government would intend to abandon that policy and to increase public borrowing over the medium term by no less than £750m.

(Councillor) John McDonnell,
County Hall, SE1.

A most important project

From the Expedition Director and Scientific Co-ordinator, Project Wallace

Sir,—I hope that readers will not allow the whimsical humour of your Weekend Brief piece on Project Wallace (February 9) to obscure the fact that this expedition is the most important entomological project of all time and one of the longest scientific ventures ever mounted.

It is of course very easy to portray the entomologist as an eccentric figure—a mere insect collector—but the truth is that entomologists are addressing themselves to the very serious problems of famine and disease, which particularly affect the third world. Research projects on conservation, medicine and agriculture are being undertaken by the 150 scientists from 17 countries who will participate in Project Wallace throughout 1985. It has taken six years of planning in cooperation with the Indonesian authorities to mount this expedition, the results of which will be of immense value to Indonesia and will also add considerably to the body of scientific knowledge.

By all means let the uninformed raise a chuckle at the antics of the dung beetle and at the scientists' interest in insect genitalia, but let it not be forgotten that entomologists made the near eradication of malaria and the control of the locust plague possible, and are now tackling those scourges of Africa — river blindness and sleeping sickness.

I hope that donors to the project will not be distracted by the flippancy of your weekend briefing.

(Dr) W. J. Knight.
Royal Entomological Society,
41 Queen's Gate, SW7.

A multi-million pound nightmare

The dam that moved in the night

By Duncan Campbell-Smith

HEAVY RAIN over the first weekend of last June stopped work on the construction of a large dam in the Peak District. The dam was only weeks from effective completion and site inspectors set out early on the Monday morning to assess ground conditions along its crest.

They were stopped in their muddy tracks by the sight of a civil engineer's nightmare. Running for a hundred yards or so along the top of the dam—one of the biggest of the earth-filled variety commonly used for building reservoirs in this country and heaped up across its valley like some giant Iron Age barrow—was an unmistakable crack in the surface.

The crack was less than the width of a man's little finger and G. H. Hill & Sons, the project's consultant engineer, gave orders during the day for it to be sealed against the rain.

But the site contractor, Shephard Hill Ltd (no relation), reacted rather differently. Like the captain of the Titanic who knew that his ship's design made any slow leak fatal, SHL appears to have stood back and awaited the inevitable.

It took just 36 hours to arrive. On the night of June 5, a great stretch of the Carsington Dam's upstream slope slid quietly into the would-be reservoir. It left behind it a cliff along the crest of the dam higher than a double-decker bus.

Eight months later, the post-mortem examination is still attracting an ever-growing audience of practitioners and academics from the engineering world. The interest is understandable: no other large dam has collapsed in this country since the war—and very few anywhere else in the world, either. Knowledge of soil mechanics today is such that the margins of safety in modern dam design ought to be foolproof.

Yet Carsington failed, and spectacularly so. Accounting for the inadequacy, as it turned out, of the safety margin built into Carsington has provided a feast for the experts. The sum of the possible explanations, it seems, might yet fail to measure up to a theory for the whole failure.

What is already clear from the post-mortem examination, however, is that the Carsington story is posing two very awkward questions for many of those involved. Both are relevant enough to the general conduct of heavy civil engineering projects in the UK—which generated fees approaching £400m in 1984—to make sure the eventual answers reverberate well beyond the hillsides of Derbyshire, or even the halls of the international conference circuit.

The first question concerns the responsibility for what happened at Carsington. It has been posed rather acutely, thanks to the disclosure in recent months of a remarkable and protracted squabble about the adequacy of the dam's design—fully a half-year before the dam provided its own verdict.

It seems now to be generally agreed that the dam collapsed, in simple terms, because its sides were built upon deposits of yellow clay. These were destined to be a weak foundation for any heavy load because the glacial history of the deposits, as the geologists put it, left the clay critically flawed. Other contributory factors may well have added to the weakness. The deposits, anyway, moved beneath the weight of the almost completed dam, causing a disastrous and complex mechanical failure throughout the body of the design.

The key issue is whether this should have been anticipated by the Severn-Trent Water Authority (emblem inset) which commissioned the dam. For both the presence of the clay and the inherent stability—or otherwise—of the design drew adverse comments in writing from the Carsington contractor and its own consultant adviser during the process of construction.

Mr Tony Dunster, managing director of contractor SHL, and Mr Michael Kennard, a long-serving consultant to the firm, insist that their criticisms of the dam were couched in terms leaving no doubt at all about the seriousness of the situation. "Further analyses (of the dam's stability) are necessary," wrote Mr Kennard in a December 1983 report, "and a revised design is essential..."

This advice was made available and was rejected.

It was rejected, however, not by the Severn-Trent but by G. H. Hill—the consultant firm, that is, which was itself the explicit target of much of the adverse criticism in the report and elsewhere.

The Severn-Trent, in fact—short of asking Hill for an explanation—appears to have remained quite deliberately aloof from what now looks like a running feud between Hill and its advisers on the one hand and the contractor SHL and its advisers on the other. Hill still insists that no real concern was ever expressed to it about "the so-called 'yellow clay' (which) was in fact 'brown mottled clay,'" that the feud only arose "in relation to the costs incurred by the contractor" and that Hill's own experts advised it "there was no major problem."

In sticking resolutely to the sidelines, the water authority asserts that it did no more than exemplify the general approach in such circumstances to the control of heavy engineering projects. "If you pay someone to do a good job for you," says Mr Donald Reeve, chief executive of the Severn-Trent and also in line to become the next president of the Institution of Civil Engineers, "you don't expect to have to spend a lot of time watching what they're up to."

In short, the Severn-Trent adhered scrupulously to the established practice in such matters: Hill was the consultant engineer and no attempt was made to second guess the judgment of its senior men.

There were plenty of grounds for an exception to be made at Carsington. Hill's involvement had been inherited from the days before the Severn-Trent was set up, in 1975. "I don't think we spent much time scrutinising our decision (to keep them on) until 1983," says Mr. Reeve. And in the winter of 1983-84, there was all the trouble over the Kennard report—of which the Severn-Trent had its own copy as early as February, 1984.

Playing it by the book now looks to have been a clear mistake at Carsington. "I think we were badly served by our consulting engineers," says Mr Reeve—and Hill has since been fired from the project. The interim report of an official inquiry, too, has concluded last November that, in Hill's whole response to adverse criticism, "questions of payment . . . may have diverted some attention from the underlying concern for the stability of the dam."

But might not Severn-Trent's error reflect a more general flew in the conduct of big contracts? Dam projects in the UK have traditionally been placed under the hand of a single professional, eligible for that role by virtue of being a "Panel One Engineer." Almost nowhere else in the world would so much responsibility fall on one individual.

Professor Alec Skempton of Imperial College is a leading figure in the science of soil mechanics and is helping to prepare an independent report on Carsington for the water authority. "On probably every big project of this kind internationally," says Professor Skempton, "there is a panel of exeperts who visit the site, look at all the drawings and review the whole business."

The UK precedures to be used for dam inspection, as it happens, are being altered at present. Some 1975 legislation is being implemented to replace a 1930 Act — but the new rules make no more provision than the old for independent opinions at the design stage and would have made no difference at Carsington.

Engineers who travel the world inspecting dam designs are an expensive commodity, of course. But even at £800 a day, their services might have been well worthwhile for Severn-Trent, which faces a potential £12m or more to rebuild Carsington—rather more than SHL's original 1981 tender.

Indeed, the financial headache is far worse than that. For Hill was also commissioned to build a £15m tunnel connecting Carsington reservoir to the River Derwent—and this has also been fraught with mishaps, incurring costs at least three times the original budget.

All in all, the costs of the total Carsington scheme have now risen from £18.3m in 1976 to perhaps £80m or more. And this leads to the second awkward question hovering since last June: who is to foot the bill?

In the light of the recent national controversy over water rates—and of last week's suggestion, too, that privatisation might be one possibility for the water sector—Severn-Trent's candour on the point is timely: "I think inevitably the consumer has to pay for this kind of thing," says Mr Reeve.

The authority has taken steps to try to minimise the costs of halting work at Carsington. A termination of SHL's contract is being considered on grounds of "frustration" which have not been invoked over a major engineering project in this country since the Great War.

But the prospect of recouping money already lost on Carsington seems remote. Any direct Government grant would seem to be out of the question: the machinery simply does not exist for such grants to the 10 water authorities, which are financially independent bodies.

And there may be worse news yet from Whitehall. The Government is concerned that the last big reservoir built in Britain—above the Kielder Dam in the north east—now stands redundant, adding not one drop of water to the national supply. It may yet conclude that industrial and demographic changes have similarly upstaged Carsington—in which case, it is already agreed, Severn-Trent will abandon it, leaving ratepayers with a £61m white elephant.

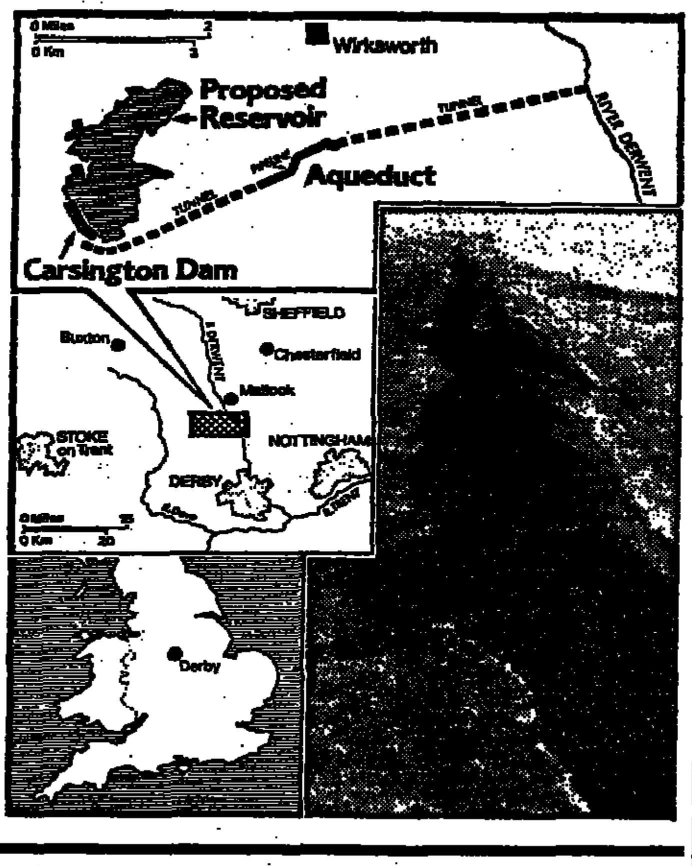
"This raises basic questions about the public accountability of bodies like the water authorities, which are neither fish nor fowl in institutional terms," says Mr Matthew Paris, the MP for West Derbyshire which covers the Carsington area.

Finally, there exists at least the theoretical possibility of legal damages for Severn-Trent. The authority is considering an action against its consultant; but here again, Carsington may have highlighted a chronic problem. For consultant engineers, unlike contractors have traditionally carried professional indemnity insurance well short of their potential legal exposure.

This situation is now changing fast. As international insurance broker Stewart Wrightson puts it: "The days are numbered when a consultant engineer can get by with cover of £½m only." In this respect, many areas of the public sector are only now catching up with the stricter attitude to indemnity insurance demanded by health authorities since the mid-1970s.

Nor is it just the extent of insurance cover which is being increased. Premium rates across the whole field of engineers, architects and contractors have shot up, according to Stewart Wrightson, by some 50-60 per cent over the last 12 months.

In this direction, too, Carsington dam looks certain to cast a long shadow.



UK Pension fund surpluses

Companies eye the tempting billions

By Eric Short

SHAREHOLDERS IN Gomme Holdings—the makers of G-Plan furniture—had some welcome news this week. On Tuesday the company announced that it is clawing back £2.9m out of the £4.1m surplus currently in its pension scheme.

But while the money is a welcome bonus for a company which has just got back into profit after three successive years of losses, the significance of the move is much wider.

The refunding of surpluses from pension schemes to companies is much more common in the U.S., where, in the first nine months of 1984, some 150 funds were estimated to have made total repayments of U.S.$1bn out of assets worth $1.5bn.

But the practice is much rarer in the UK. So far only a handful of cases have come to light—among them Gomme, James Neill Holdings and the Rockware Group—and the sums involved have been relatively small. All this, however, could change with the actuarial valuations now being made for 1984 which disclose very healthy surpluses in many pension schemes. The number of companies seeking refunds is expected to grow.

Typically in the UK employers set up pension schemes in trust which are quite separate from the company. The overall contribution rate is recommended by the scheme's actuary whose calculations are based on assumptions about future inflation, investment returns, increases in salaries and length of service of employees

The system of pre-funding ensures that employee benefit rights are financially secure and independent of the fortunes of the company.

This approach is sound as long as the funding levels are adequate. But for much of the 1970s—when prices were rising rapidly—funds could not earn a rate of return on their investments higher than the inflation rate. Despite this, Actuaries usually assumed a positive rate of return of between 3 and 4 per cent, so many funds became technically insolvent with the result that contributions had to be topped up by companies.

The wheel, however, has now come full circle. Despite the recession, stock markets worldwide have flourished and investment returns have outpaced inflation.

The recession, meanwhile, has also dampened down wage and salary settlements below those increases assumed by the actuary in his calculations, while redundancies result in profit for the pension scheme.

The result of all these factors is that pension schemes have built up substantial surpluses, with asset values far in excess of the amounts needed to cover their liabilities.

This healthy situation, however, brings about problems for employers and pension scheme trustees.

When a pension scheme is known to be substantially overfunded the Inland Revenue becomes very uneasy. The Supedannuation Funds Office of the Inland Revenue, which is responsible for approving pension schemes for tax exempt purposes, expects the overfunding to be brought down to an "acceptable" level.

The attitude of the SFO is that the Exchequer is giving more tax relief than necessary to provide benefits. Mr Howard Thompson, Controller of the SFO, in a letter made public last year, warned that "the Revenue must act to stop the relief from snowballing, if necessary by withdrawing approval from the scheme."

Warnings do not come much stronger than that.

But while the most straightforward means of reducing a massive surplus might seem to be to refund some of the assets back to the employer, the Revenue does not think so.

Its basic principle until recently has been that once an employer has given money to his pension scheme, he should not be able to take it back again.

The SFO therefore expects pension schemes to solve the problem by improving benefits and reducing contributions for both employees and employers to the maximum limit before they will even consider allowing a refund to be made.

The SFO has relaxed its attitude slightly, but Mr Thompson, in his letter, said: "No one should assume thata refund will automatically come into consideration if a five-year contribution holiday is insufficient" (to reduce overfunding).

Giving employees and employers a five-year contribution holiday is all very acceptable—but it does nothing for companies under immediate cash pressure. Moreover, there is a hidden danger in improving benefits which will have to be paid not just now but in years to come.

So how are companies clawing back these funds? One answer is by winding up the pension scheme so that the SFO is not directly involved. In such cases the assets of the fund have to be distributed in accordance with the trust deed of the scheme, which usually lays down that employees' benefits to date are to be secured and any assets left over are returned to the employer.

So companies are winding up their existing schemes and securing their employees benefit rights by starting a new scheme that replicates the old one.

Many companies, including Gomme, would have to take this route because the trust deed only permits refunds in the event of a wind-up.

The Revenue accepts this but still expects to be consulted from the moment this course is contemplated.

Gomme is spending £1.13m of its surplus in improving widows' benefits, is promising increases in pensions over the next three years in line with current inflation (5-6 per cent) and giving employees a five-year contribution "holiday."

The trustees of the pension scheme have accepted the company's proposals, and now it remains to be seen whether the SFO, as a champion of employee's rights will accept this to be sufficient and approve the new scheme.

The Revenue will, in fact allow refunds direct from the scheme in some cases. James Neill Holding, for example, the Sheffield-based tool manufacturers and general engineers, received a £2m refund from its pension scheme back in 1982.

BUILDING SOCIETY RATES

	Share a/cs %	Sub'pn shares %	Others %	
Abbey National	7.50	8.50	8.75	Seven-day account
			9.25	Higher interest acc. 90 days' notice or charge
			6.25-8.75	Cheque-Save
Aid to Thrift	9.60	—	—	Easy withdrawal, no penalty
Alliance	7.50	8.50	8.75	7 days' notice. Immed. wdl. if balance £2,500+. Int. pd. ½-yrly., mthly. inc. optn. if bal. £1,000+
			9.25	Bank Save. Bal. of £2,500. Current account
Anglia	7.50	8.50	9.25	3-year bond. No notice, 3 months' penalty
			9.25	Capital share. No notice, 1 month's penalty
			8.75	7 days' notice. No interest penalty
Barnsley	7.50	9.25	9.50	2-year termshare—3 months' notice
			9.15	Special investmt. share/monthly income share
Bradford and Bingley	7.50	8.50	9.00	Premium access. On demand, no pen. £1,000+
			9.25	High income. 3 months' notice or 90-day pen.
Bristol and West	7.50	8.50	8.50	Plus a/c £1,000+. No notice. No penalty.
			9.45	£20,000+, 9.20 £5,000+, 8.95 £1,000+, 7-day notice Triple Bonus. Also Monthly Income
Britannia	7.50	8.50	8.90	7 days' notice, 9.15 28 days' notice
Cardiff	9.00	9.10	9.50	90 days' not. Penalty if balance under £10,000
Catholic	7.80	8.80	9.30	Extra share. Interest monthly. Maximum 9.78
Century (Edinburgh)	8.85	—	9.30	Permanent 2/3 years or variable
Chelsea	7.50	8.50	9.75	Immed. withdwl. int. pen. or 3 months' notice
Cheltenham and Gloucester	—	8.50	—	Gold. No not. No pen. Under £1,000, 7.50; Over, 9.00; £5,000+ 9.38 when monthly int. added
Citizens Regency	7.75	9.00	9.15	7 days. 9.25 1 month, 9.50 3 months
City of London (The)	7.75	9.00	9.50	3 months' notice—no penalty—monthly income
			9.20	21 days' not. im. access for amnts. over £10,000
Coventry	7.50	8.75	9.75	2-year bond £1,000+, close 90 days' notice and penalty, monthly inc. opt., guaranteed 2.25 diff. Moneymaker inst. acc. no pen. 9.45 £20,000+, 9.20 £5,000+, 8.85 £1,000+ monthly inc. opt.
Derbyshire	7.50	8.75	9.50	2 y., 3 m. not. with pen. 8.75 no nt./pn. m. inc.
Gateway	7.50	8.50	9.00	Gold star £1,000+. No notice. No penalties. Monthly int. £5,000+ 9.38 if added to account
Greenwich	7.50	—	9.50	90-day a/c (7-day a/c 8.75-9.25 subject to bal.)
Guardian	7.75	—	9.85	6 months, 9.60 3 months, £1,000 minimum
Halifax	7.50	8.50	8.75	7-day Xtra, 7 days' notice, no penalty
			9.00	28-day Xtra, 28 days' notice, no penalty
			9.25	90-day Xtra, 90 days' notice, no penalty
Heart of England	7.50	8.75	9.25	90-day notice, 8.75 5-day notice
Hemel Hempstead	7.50	9.00	10.00	90 days, 9.50 60 days, 9.25 28 days
Hendon	8.00	—	8.75	7-d. a/c min. £500. 9.25 3 mths. a/c min. £1,000
Lambeth	7.65	8.75	9.20	7-d. a/c, 9.80 Magnum a/c 6 wks. + loss of int.
Leamington Spa	7.60	—	9.10	Spa mthly. income, no not., no pen. £5,000 min.
			9.25	Lion sh., 1 m. not. or 28 days' pen. £1,000 min.
			9.65	Supershare, no not., 14 days' pen. £2,000 min.
Leeds and Holbeck	7.50	9.25	9.00	Monthly interest, 9.25 28 days' notice or pen. neither if £10,000 still in account
Leeds Permanent	7.50	8.50	8.75	Liquid gold. No not. no pen. (9.00 on bal. of £2,500+) HRAS 10th issue 9.25 3 months' not.
Leicester	7.50	8.50	8.75	£500+ im. wdl. no pn., 9.73 comp. 3-y. £2,000+
London Permanent	8.00	—	9.50	60 d. not. or imm. wdl. no pen. if bal. £7,500+
Midshires	7.50	—	9.50	60 d. not. or pen. No not./pen. if bal. £10,000+
Mornington	*8.30	7.80	8.50	£2K+, 8.65 £10K+, 8.80 £20K+. * £2,000−
National Counties	†7.80	8.80	9.80	90 days' notice, no penalty. † £1,000+
National and Provincial	7.50	8.50	9.50	HYS (share + 2.00 guaranteed 3 years)
			9.25	90 days' notice/pen. unless bal. stays 10,000+
			9.00	28 days' not., 8.75 7 days' not./penalty as above
Nationwide	7.50	8.50	9.25	Capital bonds, 3 yrs., 90 days' notice/penalty
			9.25	Bonus-90, 90 days' notice/penalty
			9.00	Super bonus, 28 days' notice/penalty
			8.75	Bonus-7, 7 days' notice/penalty
Newcastle	7.50	8.75	9.25	90 days' notice, 9.00 28 days' notice
			8.50	7 days' notice. On demand with penalty
			9.75	2-year term access with penalty
Northern Rock	7.50	8.75	9.50	Moneyspinner plus £20,000 or more
			9.25	Moneyspinner plus £5,000 or more
			9.00	Moneyspinner plus £500 or more
Norwich	7.50	8.75	9.05	7-day share monthly income option
Peckham	8.25	—	9.25-9.75	imm. wdl. if over £2,000. Monthly income
Peterborough	7.50	8.80	9.50	Flexi-plus 60 days' notice monthly income
Portman	7.50	9.25	9.10	Flexi-plus. Minimum £500. No notice imm. wdl.
			9.50	Prem. Min. £500. 2 months' notice. No penalty
Portsmouth	7.65	9.15	9.80	3 years, 9.60 90 days, 9.35 30 days, 9.05 7 days
Property Owners	8.00	9.50	9.80	3 mths., 9.50 6 mths., 9.35 28 days, 9.25 im. ac.
Scarborough	7.50	8.75	9.50	2-yr. limited share, 1.75 guaranteed differential
Skipton	7.50	8.75	9.70	Sovereign £10,000+, 9.35 £500-£9,999. Monthly
Stroud	7.50	8.75	9.30	inc. 9.35, min. inv. £2,500. Inst. access no pen. 3 m., 9.05 1 m., 9.05 £10,000+, no pen., no not.
Sussex County	7.50	9.00	8.80	7 days. 9.10 Sussex high, 9.40 90 days
Sussex Mutual	7.75	9.00	9.15	Over £5,000. imm. wdl. Under £5,000 7 d. not.
Thrift	7.60	—	8.60	3-year term. Other accounts available
Town and Country	7.50	8.50	9.50	90 d. not. or pen. No not./pen. if bal. £10,000+
			9.00	7 d. not. or pen. No not./pen. if bal. £10,000+
Wessex	9.35	—	—	No notice—no penalties—minimum invest. £1
Woolwich	7.50	—	8.75	7-day account, 7 days' notice
			9.00	Monthly income shares, 28 days' notice
			9.25	90-day account, 90 days' notice/penalty
Yorkshire	7.50	8.50	9.25	Diamond key, 28 days' notice or 60 days' pen.

All these rates are after basic rate tax liability has been settled on behalf of the investor.

Godfrey Hodgson on the case for a wholesale reform of the Official Secrets Act

Why Section 2 is only the tip of the iceberg

THE PONTING case was not only about official secrecy. It was also about openness—or rather the lack of openness—in British Government.

If the verdict was due to the reluctance of the jury to apply criminal sanctions to a civil servant who believed that secrecy was being used merely to protect the Government from embarrassment, then we can only guess what the jury's motive was. The evidence at the trial was a primer in the open government issue.

The conventional response to the suggestion that Britain needs more open government is to say that Members of Parliament, either by parliamentary questions or by more informal inquiries, can find out all the citizens need to know.

The evidence in the Ponting trial hardly bears that out. We heard a fortnight of testimony about how two ministers and a large number of very senior officials in the Ministry of Defence spent a considerable proportion of their time over many weeks discussing how to evade parliamentary inquiries.

So there are two separate, if linked, questions: the question of official secrecy, and the question of freedom of information. And behind both there lurks the larger and more important question of open government.

They are linked not only because the question of how you punish civil servants and others for revealing confidential information is logically connected to the question of what information should be confidential; but also because those are campaigning for reform do not want to throw away one of their strongest weapons. They do not intend to let government get itself off the hook by a modest reform of the more outrageous aspects of the Official Secrets Act, if that means that progress in the direction of a freedom of information act and open government are thereby jeopardised.

The problem with Section 2 of the Official Secrets Act is deceptively simple. It arises from the hybrid nature of the Act.

Section 1 punishes espionage. Few would deny that Britain, like all other countries, needs some statutes for that purpose. But espionage means giving to actual or potential enemies information that can endanger the security of the state.

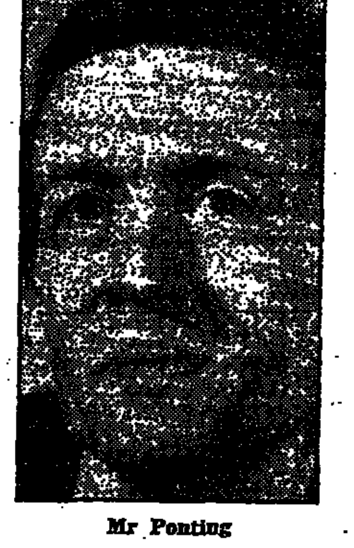
Section 2 on the other hand, punishes any breach of government confidentiality, however trivial or harmless. Again, few would refuse government the right to discipline those of its servants who—for corrupt or even for high-minded reasons—leak confidential information.

The question is whether the disciplining should be done, as it is under the Official Secrets Act and more than 80 other British statutes, by criminal prosecution with imprisonment as a possible penalty. The Government presumably now wishes that Mr Clive Ponting had been dismissed, and not prosecuted.

It seems superficially attractive simply to repeal Section 2 and leave Section 1 to its original purpose, the punishment and deterrence of espionage.

This is not practical, however, for several reasons.

The hybrid character of the Official Secrets Act is no accident. The House of Commons may have passed it through every stage in less than one hour in 1911. It is true, too, that there was no discussion of Section 2 during that hasty process. And while it was being re-enacted in 1920, the Attorney-General, Sir Gordon



Mr Ponting

Hewart, later Lord Chief Justice, falsely assured the House that the only purpose of the Act was "dealing with spying and attempts at spying."

But if Parliament did not know what was at stake, government knew very well.

Over the past 15 years, the idea that Section 2 is an embarrassingly heavy and indiscriminate sanction for preserving confidentiality has spread widely in the Civil Service. A distinguished former permanent under-secretary, Sir Patrick Nairne, believes it would be hard to find a single senior civil servant who approves of the use of Section 2.

Yet it is convenient for government to have the heavy hammer in reserve.

Labour's Queen's Speech in 1975 promised that "proposals will be prepared to amend the Official Secrets Act 1911 and to liberalise the practices relating to official information."

In March 1979, when Mr James Callaghan lost a vote of confidence and Labour lost power, a Freedom of Information Bill was within a week of passing the House of Commons. But it was not the Labour Government's Bill. It was drafted by campaigners outside Parliament and introduced by Clement Freud, MP, as a private member.

This ambivalence is even more clearly marked in the present Government. Both the Home Secretary, Mr Leon Brittan, to whom it would fall to introduce reform legislation, and the Attorney-General, Sir Michael Havers, are on record as favouring reform of Section 2.

Yet Sir Michael has authorised more prosecutions under the Act than any previous Attorney-General. If Section 2 is a blunderbuss, says James Michael*, a lawyer who is a prominent campaigner against government secrecy, then Sir Michael Havers has been trigger-happy with that weapon.

There is, or was, before Mr Kinnock attacked Mrs Thatcher personally, some sentiment on the Conservative back-benches for repealing Section 2. At least one back-bencher, Mr Steve Norris, has plans to introduce a Bill under the 10-minute Rule if he gets the chance. There is far less understanding of the case for a Freedom of Information Bill.

There are, in reality, not two but three principles at stake. The first is purely negative: the elimination of Section 2. The best the Franks Committee could say about it, 13 years ago, was that it was saved from absurdity by the reluctance of Attorneys-General to prosecute under it. The present Attorney-General, by authorising so many prosecutions, has weakened this last defence.

The second principle—neither negative nor fully positive—is the one that would be enacted by a Freedom of Information Act. This would not make the state volunteer information to the citizen, but would make it possible for him to gain access to all but a minimum of secret information whose disclosure was held to endanger the security of the state. And that — *pace* Mr Justice McCowan—would be clearly distinguished from the political advantage of the government of the day.

There is a third and ultimately more important principle, however, the positive one that government ought to act in the light of day far more than it now does without pressure from individual citizens.

In the aftermath of the Ponting verdict, there was a great opportunity to tackle the first, purely negative problem of Section 2. Mr Neil Kinnock may have wasted this chance by using the occasion to bring personal charges of untruthfulness which he could never prove against Mrs Thatcher, and so rallying round her even those Tories who were most uncomfortable about the Ponting fiasco.

The abolition of Section 2 alone without broader progress both in the direction of guaranteeing greater freedom of access to information and towards more open habits of government, is probably not possible. What is more, say those who care most about these issues, such a narrow approach—because it would make broader progress less likely—is not desirable.

* *The Politics of Secrecy by James Michael; Penguin Books 1982; £2.50.*

MS International back in the red

THE DIFFICULTIES within the mining industry have retarded the recovery programme at MS International, formerly known as Mining Supplies. And for the first half the group has once again moved into the red.

There was a trading loss of £614,000 for the 26 weeks ended October 27 1984, which rose to £1.51m at the pre-tax level. These figures compare with £1.75m and £819,000 respectively for the like period of 1983, which itself reflected a return to profits after two years of losses.

The directors say the setback is temporary. As soon as conditions in the mining equipment division return to normal they are confident that the group will be "well placed" to take full advantage of the anticipated increase in demand and, overall, can return to the 1983-84 recovery path. In that year there was a turnround from a loss of £1.78m to a £2.04m profit.

Reviewing the first half the directors say the electrical engineering division, after a period of recovery, had to contend with a "signicantly lower" order intake from the coal industry, and also the effects of reduced output from the Norwich plant in the early part of the period, as a result of industrial action there.

In the mining equipment division the performance suffered as a result of a reduction in coal output by the NCB causing a "dramatic drop" in demand for what is termed reveue equipment from that source. An increased number of export orders for capital equipment has recently been won by overseas companies against international competition.

Following last year's restructuring, the mechanical engineering side continues to develop successfully and benefited from an increase in sales of over 30 per cent.

Group turnover for the period fell from £31.69m to £29.76m. Interest charges were £897,000 (£930,000), depreciation came to £1.13m (£1.11m), and there were foreign exchange losses of £393,000 (gain £226,000).

A tax credit of £400,000 reduces the loss to £1.11m, against a profit of £669,000 after tax £150,000, for a deficit per share of 4.6p (earnings 2.8p). Extraordinary charges are £185,000 and comprise closure and rationalisation costs.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Bogod-Pelepah ....int	0.2†	Mar 29	0.2	—	0.6
Drayton Japan Tst	2	Apr 1	2	2.5	3
Drayton Premier	9.75	Apr 1	8.5	12.75	11.5
G. M. Firth ....int	0.18	Apr 6	0.15	—	0.33
River Plate	5.5	Mar 29	4.8	7.2	6.2

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. ¶ On ordinary A restricted voting share.

● comment

The NUM strike lost MS International £5m of turnover in the first half. The mining supplies division obviously bore the brunt of the shortfall, registering a £1.1m operating loss, but the electrical engineering business suffered too. Though it was not just the effects of the NUM strike that the group had to contend with. A two-month dispute at the large Norwich works scored an own goal for electricals which turned in an operating profit of just £100,000. Still, it looks as if the second half should be nowhere near as bad. The Norwich problem is *over while the mining division* has achieved some good overseas orders and there is a little activity with those pits that have resumed production. Borrowings, however, remain a problem. Gearing has risen to around 120 per cent and it could get worse by the year end but not critical as the banks are adopting a supportive line. Because MS is a supplier of "revenue" items to the NCB orders—and precious cash flow—should quickly return following a resumption of work. Until that point the shares are likely to hang in limbo around the current level of 40p but sooner or later MS will be back on the "recovery stock" list.

Quest sees benefits of development expenditure

A SMALL profit for the current year ending this month, subject to the completion of certain overseas contracts, is expected by Quest Automation, computer products supplier. But in the coming year prospects "look very encouraging."

The directors say that 1985-1986 will benefit from acquisitions, agreements, and new products made during the past year. Some gains have already started to work through in the back end of the year.

In their interim report covering the six months ended August 31, 1984, the directors say that turnover showed an increase from £3.7m to £4.06m and the gross profit was maintained at £1.76m, against £1.77m. Operating expenses were little changed but more than doubled development expenditure at £285,000 has put the group into a pre-tax loss of £178,000, compared with a profit of £38,000. That moved up to £159,000 by the end of 1983-84.

The acquisition last year of RAW Computers and Padmede Software Services has enabled the group to introduce a number of new products in the second half. Development costs will be incurred over the full year while the restructuring costs of the two companies have been absorbed in the results

Sales of those products started in the second half and "*are proving to be most promising*"; but the main benefit will not be apparent until the next financial year.

In the second half the group also negotiated a number of new agency agreements, including the Optimem laser disc and Cipher *tape streamer. Again this involved additional development* expenditure as well as initial marketing costs, with the benefit not accruing until next year.

Subject to the completion of certain overseas contracts, the group's second half will show a surplus sufficient to produce a small overall profit for the year ending February 28 1985. Although the acquisitions and agreements have produced a negative effect on profit and loss account in the first half, the benefits have started to come through in the last quarter.

As well as the recent acquisition of Accounting Software, of Torquay, for an exchange of shares, a 20 per cent shareholding in Grant Micro has been purchased. This is a business specialising in sub contract electronic production, and it is anticipated that mutual co-operation between the two companies will provide the group with further improvements in the quality of products

SHT gains surprise victory with £9.9m Hoskins bid

BY CHARLES BATCHELOR

Scottish Heritable Trust (SHT) yesterday achieved a surprise victory in its long-running takeover battle with London and Midland Industrials (LMI) for Hoskins & Horton, engineering and quarries group.

SHT made a last-minute increase in the value of its bid to £9.88m and persuaded the owners of three large blocks of shares to back its offer.

A little-used exception to the rules of the takeover code permits a bidder to increase the value of its offer in the closing stages of a bid if it thereby gains control of more than 50 per cent of its target. The final closing date on the bid was tomorrow.

SHT's increased offer persuaded the owners of a 33.19 per cent stake in Hoskins to accept and took the bidders holding to 62 per cent—including the 28.8 per cent it held before the bidding started.

The holders of a 31.2 per cent stake agreed in a single transaction to accept the offer. The holding consists largely of stakes held by Britannic Assurance (with 12.5 per cent April 16 1984), Imperial Group pension funds with 6.1 per cent, and M & G Investment management funds with 10.2 per cent.

SHT improved the terms of its offer to seven of its own shares and 245p in cash for every two Hoskins shares. With SHT's shares closing at 69p yesterday this valued Hoskins at 364p per share. Hoskins rose 6p yesterday to 353p.

SHT is also offering a cash alternative of 343p for each Hoskins share.

This was the fourth time that SHT had increased its offer for Hoskins following its original £5.9m bid on October 4. Its previous offer, made on January 24, was worth £9.2m.

Since the end of November SHT has been fighting a leapfrog battle with LMI, which increased its bid for a second time earlier this month to £9.6m in shares. LMI's bid had the backing of the Hoskins board.

SHT is a holding company with interests in sand and gravel quarrying, property investment and development, housebuilding and the import and export of original carpets.

It plans to add Hoskins' light engineering and hospital equipment interests to its portfolio, but has reached an agreement to sell Hoskins' quarrying business to Tilcon, part of the BTR group, for £5m, to help reduce the cost of the takeover.

SHT was advised by N. M. Rothschild, Hoskins by Morgan Grenfell and LMI by Henry Ansbacher.

UK holders sell Telerate shares

BY ALEXANDER NICOLL

Telerate, the U.S.-based business information concern in which the British money-broking group Exco International holds a 52 per cent stake, announced yesterday that some of its existing shareholders, mostly UK investment institutions, are selling 5m shares through a public offering in the U.S.

The shares to besold, representing 11.2 per cent of Telerate's capital, were subject to *restrictions on sale from which* they are now freed. They were issued to the shareholders before the company went public on the New York Stock Exchange in April 1983, at prices below the flotation price.

Exco is not selling any of its Telerate shares in the offering, which has been filed with the Securities and Exchange Commission and is expected to be completed within a few weeks.

Most of the selling shareholders are British institutions which are or have been managed by Gartmore, the investment management group which is 50.1 per cent owned by Exco.

Three Telerate executives are *selling a total of about 1m shares,* but keeping a considerably larger number. Mr Neil Hirsch, the company's president and chief executive, is not selling any of his 3.3m shares.

The largest seller is British and Commonwealth Shipping, which holds 21 per cent of Exco. It is offering 2.28m of its 5.87m shares.

Other sellers include Scottish National Trust, Anglo Scottish Investment Trust, Gartmore American Securities, Gartmore Information and Financial Trust, Glasgow Stockholders, London and Gartmore Investment Trust and London and Strathclyde. Telerate has been *the largest holding* in the portfolio of most of these investment trusts.

Telerate's shares were trading at $20¼ yesterday, down $1½, compared with the 1983 flotation price of $20.

Struggle intensifies for Portuguese copper

BY GEORGE MILLING-STANLEY IN LONDON AND DIANA SMITH IN LISBON

THE STRUGGLE *for ownership* of a significant minority stake in the rich Neves Corvo copper deposit in Portugal has intensified. The Portuguese Government has confirmed that six companies have been invited to tender for the 49 per cent interest which the **Rio Tinto-Zinc** group has been negotiating to buy since last October.

The six companies, South Africa's Anglo American Corporation, Exxon and Nerco of the U.S., Boliden of Sweden, Outukumpu of Finland and Belgium's Union Miniere, have until March 15 to submit their offers for the holding.

RTZ Metals, the European arm of the Rio Tinto-Zinc group, has deposited about $90m in an escrow account in Paris as the agreed purchase for the aggregate 49 per cent holding of two French companies, Penarroya and Coframines, in Somincor, the local company established to develop Neves Corvo.

The remaining 51 per cent is held by EDMA, the Portuguese state-owned mining company.

The deal between RTZ Metals and the French companies was subject to a pre-emptive right of purchase by the Portuguese authorities, who are keen to add value to the output from the mine by having a smelter constructed at the site. RTZ was believed to favour the use of existing smelter capacity elsewhere in Europe, possibly the facility near Huelva in Spain, owned by the associated Rio Tinto Minera.

Several directors of RTZ Metals arrived in Lisbon on Thursday for more talks with the authorities, and EDMA has suggested that the group could still secure the interest if none of the six companies invited to tender comes up with a better proposal.

Neves Corvo is probably the most important new mining development in recent Portuguese history. EDMA estimates ore reserves at 35m tonnes with a very high average grade of 7.5 per cent copper.

Loss deepens at Phillips Patents

Phillips Patents (Holdings), which suffered a prolonged strike at its Manchester *factory,* incurred a loss before tax of £177,200 (£5,427) for the half-year ended September 1 1984.

Phillips Rubber suffered a loss of £140,635 because of the strike, but by the year-end chairman Mr J. A. Rowland-Jones believes they will have been reduced.

The group is in a strong cash position and this will be improved upon in the second half following the sale of Baby Deer at the beginning of this month.

Baby Deer reduced its loss from £82,393 to £54,493 in the half year. It was sold for £1 to a consortium led by two of its executive directors, and has repaid £140,000 to Phillips in full and final settlement of an interest-free loan.

Turnover from manufacturing fell from £1.74m to £643,728.

Profits in the property development and investment division fell from £92,944 to £18,107, but the figure over the full year is expected to pick up.

Bogod-Pelepah margins suffer

STAGNANT MARKET conditions, already referred to in the last annual statement at **Bogod-Pelepah**, together with the continued weakness of the pound, have left profit margins under renewed pressure, say the directors. Profits before tax fell from £135,000 to £100,000 for the six months to the end of September 1984.

In view of the reduction in profit the directors of this sewing machine distributor and textile machinery manufacturer do not feel justified in recommending any increase in the dividend. The interim is unchanged at 0.1p on 10p ordinary shares and at 0.2p on 10p ordinary "A" restricted voting shares.

The directors point out that the profits, and turnover of £2.29m against £3m, do not include turnover of £419,000 and losses of £33,000 relating to Ibis Manufacturing. As reported earlier this week, this subsidiary has been disposed of to Astra Industrial Group.

Commenting on the future, the directors say that although they are satisfied that profits will be appropriate to current trading conditions, they are unable to forecast results for the year, but hope to be able to recommend the same total distribution as last year.

In *the last full year a final* payment of 0.4p was made on the restricted voting "A" shares of this close company, from profits of £333,350.

First half earnings per share are shown as 1.032p (1.406p) on the restricted "A" shares.

The directors go on to say that Ibis was responsible for operations related to industrial machinery for the garment and laundry industries. It became evident that only by a substantial expansion of its activities could it be brought to a position where it would make a meaningful contribution to group results.

In order to participate in the anticipated benefits from this disposal, Bogod is retaining 2m ordinary shares in Astra Industrial Group, issued at 7.25p, as part of the consideration. The balance of the sale proceeds, provisionally calculated at £431,000, has been received in cash and will be used to develop the continuing interests of the group, both by internal growth and, if possible, by suitable acquisitions.

Manor price agreed at £2.3m

AN AGREED bid of £2.3m has come from C. D. Bramall, a Ford main dealer based in Bradford, West Yorkshire, for Manor National, a Manchester dealership group which has been struggling to return to the black after four years of losses.

The acquisition will add a further Ford dealership to Bramall's four—taking it to the car-maker's limit of five under one corporate roof—as well as bringing in four Austin Rover dealerships and a contract hire fleet which will total 3,600 vehicles.

The deal follows a statement by Manor on Wednesday that talks were under way, a resumption of discussions along similar lines to those terminated last September. Mr Tony Bramall, chairman and managing director of the bidder, said yesterday: "The only hitch last time was the price. This time we could agree."

For every 40 shares in Manor, Bramall is offering £4 cash plus one new share of its own. Bramall shares closed 1p up at 128p yesterday, while Manor held steady at 13p, compared with a 13.2p per share value on the bid.

Barclays Merchant Bank, adviser to Bramall, will provide a cash alternative once the offer becomes unconditional. It has undertaken to buy any of the new shares—which represent some 6.9 per cent of Bramall's expanded capital—at 120p each.

Bramall currently owns 9.43 per cent of Manor, whose directors have pledged acceptance for their bare 0.83 per cent holding.

A cash offer of 85p each is also being made for Manor's preference shares, dividend payments on which have been deferred for two *half-yearly periods.* Mr Bramall said the offer took into account these arrears.

Mr R. A. Stoodley, Manor's chairman, is to join the Bramall board.

Lex Service

Phillips & Drew, brokers to Lex Service, the automotive and electronic components manufacturer, have revised downward by 50 per cent their forecast for the company's 1985 profits.

The news hit Lex's share price yesterday, which fell 13p on the day to close at 240p.

The revised forecast follows a visit to the U.S. by Philips & Drew analyst Bill Seward to *study Lex's electronics distribution* business there. He is now forecasting 1985 pre-tax profits of £33m, instead of £50m, and 1984 profits of £47m rather than £49m.

See Lex

River Plate's asset value continues to rise

The net asset value of River Plate & General Investment Trust stood at 248p net per deferred share at the end of 1984, compared with 211.8p a year earlier, and 215.7p at the interim stage.

The directors have recommended lifting the final dividend from 4.8p to 5.5p, making a 7.2p (6.2p) total. Net revenue amounted to £1.14m (£997,453), and stated net earnings rose from 6.32p to 7.26p.

The directors say that it has been a feature of the stock market to value investment trusts at a discount to their underlying net asset value, so they are giving shareholders the opportunity to decide within two months of March 31 1989 (the final exercise date available to warrantholders) whether they wish the company to continue as an investment trust.

American Oil Fields plans expansion into electronics

American Oil Field Systems, a loss-making explorer for oil and gas in the U.S., is planning to change tack and buy an electronic components company, **Durakool Inc.**

This unquoted company is proposing a rights issue to pay for the purchase, subject to shareholders' agreement.

Once the acquisition is completed, the directors intend to float the company on the Unlisted Securities Market.

Mr Mark Vaughan-Lee is succeeding as chairman Dr Norman White, who has resigned. In its latest published results, the company made a reduced pre-tax loss of £4.02m (£7.33m) for 1983

Opposition to IoM merger

THE Isle of Man Steam Packet Company yesterday announced pre-tax losses of 303,772 in 1984. Simultaneously, a shareholders' committee was set up to investigate a proposed merger of its ferry operations to Liverpool with Sealink, which would take a 40 per cent stake in the company's enlarged share capital.

Pre-tax losses compared with £394,857 profits in 1983, on turnover down from £13.1m to £12.3m. There is a tax credit of £58,528 (£43,000 charge), an attributable loss of £245,244 (£351,857 profit) and a loss per share of 13.5p (17.5p earnings per share). The dividend is being passed.

Lister's profit cut by imports

SUBSTANTIAL IMPORTS of subsidised Turkish velvet hit textile manufacturer Lister and Company in the half year ended September 29 1984, and its profit has fallen from £160,000 to £25,000.

Trading in the second half is encouraging, the director report, although the level of base rate should be taken into account. Profit for the year ended March 31 1984, came to £615,000 (loss £272,000) *and the dividend was 0.1p net.*

First half turnover amounted to £16.23m (£15.8m). Tax takes £33,000 (£9,000) and minorities £3,000 (same), giving loss per share of 0.13p (earnings 0.84p).

Memec expands in W. Germany

Memec, a distributor of high technology electronic components and microcomputer systems, is to buy Metronik, a privately-owned West German components distributor, for DM 16.4m (£4.58m). It wil be Memec's third acquisition in West Germany in seven months.

Memec will be paying some £3.4m in cash, with the remaining 25 per cent satisfied by the issue of 370,300 new shares in the company, to be retained by *the vendors.*

Metronik, based in Munich, was founded in 1973 and had pre-tax profits of DM 3.3m in the year to September 1984 on turnover of DM 29m.

It serves over 1,000 manufacturing customers in the industrial, telecommunications, medical instrumentation and computer peripheral sectors.

Last June Memec bought Electronica, a components distributor operating in Hamburg and Munich, for about £75,000 and in November it took an 85 per cent stake in IST Sales and Trading, a Munich-based distributor of rotating memory and controller products, for about .. 1.38m.

Mr Dick Skipworth, Memec's chairman, said the company was concentrating its overseas expansion on Germany because this was a very large market where the active electronics components distribution business was less developed than in the UK and companies were still relatively cheap.

He added that the extensive customer base now acquired in West Germany should enable *Memec* to grow there without the need for further purchases.

BIDS AND DEALS IN BRIEF

LWT (Holdings), which controls *London Weekend Television*, has won shareholders' approval to enfranchise holders of its non-voting "A" shares.

The agreement follows months of delicate negotiation between the company, its shareholders and the Independent Broadcasting Authority.

At present, LWT has 60,000 ordinary voting shares and 16.7m "A" non-voting ordinary. The company is to distribute 300,000 new ordinary shares to voting shareholders in compensation for the move to a democratic structure.

* * *

Iberotravel has acquired 1.5m shares in Intasun Leisure, the travel group, from Sir James Hill and Sons, increasing its stake in the company from 5.2 per cent to 8.1 per cent. Intasun said yesterday that it welcomed this investment holding by the UK touring operating subsidiary of its Spanish handling agents.

* * *

Bowater Freight Services, a subsidiary of Bowater Industries, has bought privately owned Max Gruenhut GmbH and Co, an international forwarding company based in Hamburg and Bremen for several million pounds. It has offices throughout Germany, Benelux and the U.S. The acquisition is subject to approval by the German Cartel office.

Max Gruenhut's main business is in deep-sea and air-freight forwarding between Northern Europe and the U.S. The acquisition is part of Bowater Freight Services' plan to develop its international freight forwarding business.

* * *

Turner & Newall is acquiring William Kenyon & Sons (Viceclad) based at Blackburn, Lancashire.

The business, which manufactures and markets under the Viceclad *trade mark a range* of thick, low density boards used for the fire protection of structural steelwork and ducting, will operate within the contracts and materials division of T&N's subsidiary TAC Construction Materials.

The consideration represents less than 1 per cent of T&N's net assets.

* * *

Suter, which is holding discussions on a possible agreed bid for Lake and Elliot, has raised its holding in Lake to 28.1 per cent through the purchase of a 2.6 per cent stake from holders *acting in concert with it.*

* * *

Baynes Textile Rental Services, subsidiary of Charles Baynes, textile rental and industrial cleaning group, has acquired Torbay Garden Laundry of Torbay, Devon, which provides a textile rental service to hotels and industry in the Plymouth, Torbay and Exeter areas.

* * *

Ibstock Johnsen has sold its wholly-owned subsidiary Crusader Board and Converters, south-east London packaging board importer and distributor, to Hedsor for about £1.5m.

* * *

Pyke Holdings, the butchers, is to buy Bransbys, a pork and bacon dealer with a £2m issue of new shares. Pyke said the deal would enable it to acquire a modern pork and bacon processing facility. Subject to shareholders' approval, Pyke is to issue 730,392 new 10p ordinary *shares to the vendors*—a 19 per cent increase in its equity—of which 575,527 has already been placed by brokers Laurie, Millbank. Pyke plans to increase its authorised ordinary share caital from £500,000 to £750,000 to effect the placing and allow it to take advantage of future opportunities.

* * *

Of the £7m 9¾ per cent convertible unsecured loan stock 2005 at par offered by Mountleigh Group to its ordinary shareholders by way of rights, £6.33m of stock representing 90.46 per cent of the total, has been taken up and the remainder has been sold at a premium.

The net proceeds of sale will be distributed to shareholders whose rights were not taken up, save that no payments will be made for amounts of less than £2 which will be retained for the benefit of the company.

The issue was underwritten by Charterhouse Japhet and the brokers were Phillips & Drew.

SUMMARY OF THE WEEK'S COMPANY NEWS

Take-over bids and deals

Just a few hours before the deadline for a new bid expired, **Dee Corporation**, the supermarkets group headed by Mr Alec Monk, *unveiled a £328m offer for* **Booker McConnell**, the agribusiness and food distribution group. Dee had been given Monopolies Commission clearance to make another offer three weeks previously. Terms of the offer are 125 Dee shares for 100 Booker shares, or 100 Dee shares and £50 of loan stock for 100 Booker shares, valuing the latter at approximately 260p per share. The equity offer has been pitched in line with the current Booker share price, but the compulsory cash alternative is only 191p per share. Dee said that it had sold 4.98m Booker shares recently, reducing its stake to 16 per cent of Booker's equity. Booker has rapidly streamlined its businesses and improved its profitability since Dee's first bid which valued Booker at about £230m. Booker dismissed the new offer and said that it failed to take account of its current performance and future prospects.

Ward White, the footwear retailing group which last November bought Halfords, the motor accessories retailer from Burmah Oil for £52m, launched a share-exchange offer worth some £90m for **Foster Brothers Clothing**, the menswear chain. Ward White has offered five of its shares for every six Foster, but Foster described *the bid as "unsolicited and opportunistic."*

Dealings in **Wheelock Marden**, the Hong Kong-based property and shipping group, were suspended on Thursday following a cash bid worth HK$1.9bn (£230m) from Tan Sri Khoo Teck, the Malaysian businessman. Tan Sri Khoo has already acquired 6.7 per cent of Wheelock's A shares and 22.7 per cent of the B shares amounting to 13.5 per cent of the voting rights. The offer is being made through Tan Sri Khoo's private investment company, Falwyn and comprises HK$6 for every Wheelock A share and 60 cents for every B share. Wheelock is advising shareholders not to act on the Falwyn offer and has appointed East Asia Warburg as financial adviser.

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated.					
Banro Inds	78¾	86	66	4.30	CH Industries
Bath & Portland	314‡§	298	277	64.04	Cons Gold Fields
Booker McConnell	252¼	254	259	315.54	Dee Corp
Butterfield-Hrvy	27*§	26½	22½	3.21	Technology Inc
Dunlop	22	45	31	31.64	BTR
E of Scot Onshore	¶¶	81	66	¶¶	Ind Fin & Inv Co
Elson & Robbins	86§§	80	68	8.51	Hartons Group
Foster Bros	186	196	138	87.11	Ward White
Harrison, T. C.	74*	69	49	16.70	Harrison, T.C. Grp
Hoskins & Horton	341§	353	188	9.26	Lon & Mid Inds
Hoskins & Hrtn¶	339§ §§	353	270	9.21	Scottish Heritable
Hurst (Charles)	200*§	190	190	4.32	Garvagh Secs
Lake & Elliot	75§	75	65½	7.46	Suter
Leech (Wm.)¶	173‖‖§	174	134††	25.95	Beazer (C. H.)
Lon & Mchstr Secs	11	9	10½	3.56	Amal Estates
Manor National	13¼§§	13	13	2.35	Bramall (C. D.)
Pauls	328¾	345	253	102.40	Harrsns & Crsfld
Petrolex	58*	65	50	9.06	Clyde Petroleum
Strlng Guarantee	71½	68½	325††	255.61	P & O
TMG Group	125†§	100	75	1.33	Smurfit (J.)
Tootal	70*	72	63	124.03	Entrad Corp
Trident TV Ord	249§	243	209	3.64	Pleasurama
Trident TV 'A'	237½§	237	209	110.24	Pleasurama
UniBond	226	222	155††	13.27	Beecham
Websters Group¶	142§§	133	140	22.37	Octopus Publshg
Whittington¶	33§ §§	30½	22	15.20	Aitken Hume

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on February 15 1985. †† At suspension. §§ Shares and cash. ¶¶ Related to NAV to be determined. ‖‖ Loan stock.

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Ariel Ind	Sept	86	(51)	—	(—)
Daejan Hldgs	Sept	6,280	(5,150)	—	(—)
Dale Electric	Oct	365	(1,310)	1.5	(1.5)
Heelamet Hldgs	Oct	125	(136)	2.0	(2.0)
Humberside Elect	Nov	52	(10)	—	(—)
Ind Prec Cast	Oct	157	(85)	0.62	(1.85)
Milbury	Sept	535	(403)	2.45	(2.45)
Protimeter	Dec	206	(174)	—	(—)
Stonehill Hldgs	Nov	504	(54)L	3.0	(1.0)
Webb, Joseph	Sept	120	(452)	0.13	(0.13)
Whitworth Elec	Sept	65L	(38)	—	(—)

(Figures in parentheses are for the corresponding period.)

* Dividends are shown net pence per share, except where otherwise indicated. L Loss.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
AI Ind Products	Dec	254	(282)L	2.6	(—)	—	(—)
Birmld Qualcast	Nov	11,290	(3,590)	13.9	(11.8)	3.25	(2.33)
Craton Lodge	Sept	485	(218)	4.5	(1.1)	—	(—)
Crest Nicholson	Oct	8,520	(7,000)	11.5	(10.0)	3.75	(3.35)
Hunterprint	Sept	2,020	(1,710)	22.5	(19.1)	4.0	(3.5)
Imperial Group	*Oct*	*220,600*	*(195,300)*	*20.3*	*(18.0)*	*8.55*	*(7.8)*
Killinghall Rub	June	561	(153)	33.1	(2.83)	22.5	(22.75)
Scot Agric Ind	Dec	3,150	(6,020)	29.0	(38.0)	18.5	(18.5)
Securicor	Sept	12,840	(11,520)	11.3	(10.3)	1.59	(1.44)
Security Cent	Sept	2,370	(2,140)	11.3	(10.5)	2.89	(2.45)
Wagon Finance	Dec	3,370	(2,000)	7.8	(3.7)	3.38	(2.5)

Rights Issues

Standard Telephone and Cables—To raise £168m through a one for five rights issue of around 91m shares at 190p per share.

Tricentrol—To raise £45.3m through a rights issue of 11 per cent unsecured convertible loan stock 1995-2005 on basis of £1 of stock for every two shares held, at a price of 200p per share.

Offers for sale, placings and introductions

St James Estates—Offer for subscription of up to 10m shares at 60p per share.

Note to readers: Owing to industrial action the Summary does not inculde results published in the editions of last Saturday, Monday and Tuesday.

utility room, garden, gas wrev central heating. Freehold £365.00.

UK COMPANIES

RESULTS DUE NEXT WEEK

No fireworks in store at Plessey

CORPORATE reporting activity is likely to remain at a fairly low ebb next week, although there are a few major companies poised to present interim or final results for the period to last December.

The uneven distribution throughout the year of major contracts makes Plessey's results difficult to forecast, so analysts are pretty much in the dark over next Thursday's third quarter announcement. This said, there are some broad indicators showing that trading is continuing to be affected by the delays the company is having in offloading inventory in both the telecom and electronic systems divisions, so no fireworks are in store. On the telecom side, BT has been slowing down its acceptances of the System X exchanges: it appears that Plessey has still not licked the technical problems in some software. Elsewhere, the market in the Middle East and Africa for radio and radar has turned down while at home, new tendering formalities at the MoD is delaying orders for the battlefield telephone systems.

Best estimates put third quarter pre-tax profits just short of the previous comparable period, giving a nine-month total of around £120m against £124.6m. This leaves quite a lot for Plessey to do in the final quarter and current form suggests that the full 12 months may be no better than last year's £176.1m.

With a bullish progress report behind it at the annual meeting, Cope Allman International should produce some sparkling figures at the interim stage on Tuesday, with the recovery fuelled almost entirely by the company's plastic packaging activities. The general feeling is that first-half profits should be in the region of £5.6m pre-tax, compared with £3.28m last time, rising to around £12.5m (£9.17m)—a record—for the year. Behind these results lies a fairly comprehensive programme of rationalisation across the group and a move to modest headquarters. Recently, the company has been making positive noises about acquisitions and to date it has picked up a relatively small company to fit into its fruit machine activities. If this strategy is embarked on it seems likely that, with its relatively high gearing, the company will use paper or pitch for a rights in due course.

Wednesday's results from Waterford Glass for calendar 1984 are expected to show an improvement which will owe much to the dollar's strength. After a year of lucrative U.S. sales of its crystal and china, the pre-tax outcome is being put at around I£14m, up from I£10.17m in 1983, and there are some in Dublin who talk of I£16m. A cautious upward nudge in the year's payment is foreseen, taking it from the previous 1.6621p to perhaps 1.8p to 1.9p—the 2p mark is thought unlikely to be breached.

Its Renault car dealerships are again expected to make no contribution, while the Switzer department store division is unlikely to have moved significantly ahead.

Shareholders in Fleet Holdings have had a busy time keeping up with events, and the interim figures to December 1984, due on Monday, will provide a pause in which to weigh the impact of the bingo dogfight on its national newspaper titles against the still stronger position of its specialist magazines.

Amid the flurry of bid rumours as stakes change hands, the City's Fleet-watchers see pre-tax profits for the period emerging as high as £9m, against £6.39m last time, although at least one cautionary voice suggests £7.5m to £8m at best. For the full year, forecasts range from £19.5m to £22m with the dividend well up on the previous 3.25p net, possibly in the region of 5.5p. The £20.08m taxable earnings for 1983-84 included a £4.6m contribution from the sale of part of the Reuters stake.

The Daily Star has been gaining ground in the circulation battle, although its Express sister papers are trailing. Cover price increases effective respectively in September and November are expected to have shown through in part. Morgan-Grampian meanwhile should deliver a further increase in margins despite cuts in pharmaceutical advertising.

The preliminary results of Muirhead, which makes electromechanical devices and communications equipment, is due on Thursday. At half-time, when profits showed an increase from £0.6m to £75m, the company reported that new better-margin products had been introduced into the data communications and process control areas. It also pointed out that these products had, in some cases, lower selling prices, which accounted for the company's slightly reduced turnover figures at that stage.

Last year the company turned in pre-tax profits of £1.5m on which dividends totalling 5p net were paid.

Monday should also bring final figures from Alexanders Holdings, with interims on Tuesday from Peachey Property Corporation and Michael Page Partnership. The year's outcome at Metal Bulletin is expected on Thursday, as are the six-month results at William Jackson & Son and Media Technology International. Due on Friday are interims from Robert M. Douglas Holdings and from Watsham's.

Good Relations abandons plans to leave the City

BY STEFAN WAGSTYL

Good Relations, public relations and advertising agency, has abandoned plans to pull its City office out of the Square Mile to group headquarters in the West End.

The group directors changed their minds this week following a revolt in which six out of the 20 City office staff resigned to join a rival agency.

Maureen Smith, group managing director, said: "It would be fair to say we were under pressure from staff, wouldn't you."

The group would continue with its plans to offer a package of services, including financial public relations work, from its Russell Square office, while serving clients who only wanted financial public relations work from the City office, she said.

Good Relations also this week announced the plans to open an office in New York later this year, initially to service the needs of existing European clients.

Thermalite set for listing with £50m market tag

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

CONCRETE block maker Thermalite is going public in October this year with a market value of not less than £50m.

The October launch date is nine months earlier than planned, Mr Peter Aldridge, chief executive, said yesterday. The decision has been made as a result of better than expected results for the current financial year.

The company was the subject of a £12.5m management buyout from John Laing in 1983, with backing provided by institutions including Ivory and Sime, S. G. Warburg, Samuel Montagu and the Post Office and National Coal Board pension funds.

The company will be going for a full listing with a minimum of 25 per cent of shares being offered for sale.

The founder shareholders—who include Mr Aldridge as well as the other managers involved in the buyout—will be increasing their stake in the company from 15 per cent to 38 per cent.

Mr Aldridge has hired the first man on the moon, Mr Neil Armstrong, to back his company's "lift off" campaign to boost sales of concrete blocks prior to the launch.

The campaign is intended to help increase sales of concrete blocks to small builders and merchants.

Marler Estates profits higher at six months

Higher pre-tax profits of £55,179, against £48,214 have been shown by Marler Estates for the six months to September 29 1984. As profits are largely dependent on sales of developed properties, the directors think it would be misleading at this stage to predict the full year's outcome.

In the last full year, profits came to £828,847 from which a single 2p dividend was paid. There is, as usual, no interim payment, and first half earnings per 25p share are shown as 1.17p (1.18p).

The selling of flats at Neal's Yard, Covent Garden, WC, is proceeding "satisfactorily," say the directors, and the letting of shops and offices has almost been completed, in line with their expectations.

Planning application has been submitted for a development in Chalk Farm Road, NW, and planning consent has been received for alterations to some premises at Wharf Road, N, which are 50 per cent owned by the London Enterprise Property Co.

Turnover for the half year rose from £217,557 to £682,733, which included £511,036 (£71,500) from sale proceeds of property held for resale, with the remainder coming from rents receivable.

Operating income of £588,836 (£109,880) was subject to administration expenses of £98,574 (£53,586) and a sharp rise in interest costs from £8,080 to £435,083. Of the interests payable, £84,688 has been incurred in holding properties for resale or development.

After tax of £875,000 (same) and minorities this time of £1,089, preference dividends took the same again at £1,575 to leave the attributable balance up from £45,964 to £54,018.

Trust of Property

Trust of Property Shares results for the year to December 31 1984 show net assets per share up at 30.95p from 21.98p. Earnings per share were up at 0.45p (0.34p). Pre-tax revenue was stated at £39,693 (£29,115). Dividend per share was set at 0.4p

INTERNATIONAL COMPANIES and FINANCE

Aetna and Cigna post sharp fall in earnings

By Our Financial Staff

AETNA Life & Casualty and Cigna, the two largest investor-owned U.S. insurance companies, have reported sharply lower 1984 earnings reflecting heavy losses in the property and casualty sector, a disaster area for many U.S. insurers last year.

Aetna, based in Hartford, Connecticut, reported fourth-quarter net operating earnings of $33.3m or 27 cents a share in the quarter, down from $69m or 63 cents in the 1983 period. After capital gains of $42.5m, final net was $75.8m or 70 cents a share in the 1984 quarter, against $70m or 65 cents.

For the year, final net earnings were $128m or $1.04 per share, reflecting realised capital losses of $54.8m, compared with $350m or $3.31 in 1983, bolstered by $24.3m in capital gains.

Revenues increased from $14.4bn to $15.4bn in the year, and from $3.5bn to $4bn in the quarter.

The company said the fourth quarter and year were severely depressed by substantial losses in the commercial property/casualty and reinsurance businesses due to inadequate prices and high claims. The losses more than offset higher profits in the employee benefits and life businesses.

However, Mr James Lynn, chairman, said: "While significant price increases have been taking hold in the commercial casualty / property and reinsurance markets, it would take time before they are reflected in earnings."

tinued its recovery from the tinued his recovery from the heavy losses in the first half of 1984 with fourth-quarter operating net profits of $36.1m.

The profits are slightly less than the $37.2m in the third quarter, but include non-recurring and other adjustments that reduced earnings by $23.9m. Even so, the latest fourth quarter results are down sharply from the $111.2m in the 1983 period.

Final net earnings for the quarter, including investment gains of $18.5m, were $54.6m or 62 cents a share, compared with $142.3m or $1.87 in the 1983 period

For the year, final net earnings were down sharply from $535m or $7.03 in 1983, including $134.5m in investment gains, to $102.7m or 99 cents, taking in $64.2m in investment gains.

Revenues rose from $12.6bn to $14.8bn in the year, and from $3.3bn to $4.11bn in the quarter.

Chris Sherwell profiles the Malaysian financier bidding for Wheelock Marden

Tan Sri Khoo shows faith in Hong Kong

KHOO TECH PUAT, the Malaysian businessman making a HK$1.9bn (US$244m) bid for Wheelock Marden, the Hong Kong trading company, is a 96 year-old hotel and real estate tycoon who has made himself one of South-East Asia's wealthiest entrepreneurs through a shrewd sense of timing and confidence in his own judgment.

His latest move is aimed at taking over the oldest British "hongs" in the colony, and is a direct result of last September's settlement, between London and Peking determining Hong Kong's future after 1997. Quite simply, Tan Sri Khoo (the Tan Sri is an honorary Malaysian title) has decided that Hong Kong's prospects are bright.

This is not the first time he has put decisiveness to the test. Born in Singapore the 13th son of a Hokkien Chinese immigrant, he decided not to move into the family property and rice trading business, opting instead to learn about banking.

He spent 26 years with the Oversea-Chinese Banking Corporation, helping to make it one of Singapore's "big four" domestic commercial banks, before leaving in 1959 after a rift with Tan Chin Tuan, the OCBC chief. He then helped to found Malayan Banking, which was eventually to become bigger than all the "big four" in terms of gross assets.

This was not something he was destined to preside over, however. In the mid-1960s, when the bank was hit by the decline accompanying Indonesia's confrontation with the recently-formed Malaysia, Tan Sri Khoo was forced to leave and obliged to take with him the Goodwood Park Hotel, which was part of the bank's loan portfolio.

He has since moved fast. Through the quoted Goodwood Park Hotel, in which he has a 73 per cent stake, he now owns the Goodwood Park, York, Ladyhill and Boulevard hotels. Previously he bought and sold at a profit both the Holiday Inn, which went to the Sultan of Brunei, and the Century Park Sheraton, owned by All-Nippon Airways.

Singapore's hotel business, however, is currently beset with difficulties because of the slowdown in tourist growth and an oversupply of hotel rooms. Goodwood Park Hotel has just reported a one-third fall in earnings for the year to September 1984. Tan Sri Khoo is now reconsidering plans for an expensive refurbishment of the hotel.

The Hong Kong move, if it is successful, would allow some helpful diversification through Wheelock's shipping, trading, manufacturing and retail activities, despite Wheelock's own problems. It would also provide a platform for business dealings with China, a major consideration.

Tan Sri Khoo has previously extended his interests to Australia, where he owns the TraveLodge group, which operates the country's largest hotel chain, and earlier to Brunei, where he controls the National Bank of Brunei, one of only two locally incorporated banks in the oil-rich sultanate.

Tan Sri Khoo has three sons and 11 daughters, and maintains a residence wherever he does business. He retains small stakes in Malayan Banking and even in OCBC following a controversial attempt in 1982 to build up a shareholding. But his major interests remain in hotels. It is now up to the shareholders of Wheelock to decide whether this is to change.

Exploration costs hit Saga Petroleum

BY FAY GJESTER IN OSLO

SAGA PETROLEUM, the independent Norwegian oil group, reports lower net profits for 1984 following the write-off of heavy exploration costs.

Net profit emerges at NKr 24m ($2.5m) compared with NKr 69m for 1983. Exploration costs incurred before 1984, and previously capitalised, of NKr 236m have been taken against operating income.

Operating profit rose from NKr 318m to NKr 418m. Before extraordinary items and end-year allocations, profits were NKr 268m, compared with NKr 15m. This is higher than the NKr 240m forecast last autumn at the time of a share issue.

The improvement is due mainly to higher output from the Statfjord field, which is still Saga's main income source, coupled with the strength of the dollar.

Kronor income from sales of Statfjord and Murchison field crude reached NKr 643m, compared with NKr 465m in 1983. The rise in the value of the dollar has more than offset the fall in the dollar price of oil, the company stressed.

The company says that its financial position was strengthened last year through a $600m Eurodollar loan, together with the injection of NKr 465m of new risk capital.

In addition Saga received NKr 621m from Statoil, Norway's state oil company, as payment for its stake in the Rafnes petrochemical complex. These developments have provided Saga with "good" liquidity.

Dornier family fails to resolve feud

By Rupert Cornwell in Bonn

THE PARALYSING deadlock in the battle for control of the West German Dornier aerospace concern continues as the two family factions failed to settle their internecine differences at a key meeting of shareholders.

The meeting broke up late on Thursday after the minority group—consisting of Claudius, Peter and Silvius Dornier, three of the six sons of Claude Dornier, the company's founder—lost their bid to oust Herr Hans-Otto Thierbach, head of the Dornier supervisory board.

The would-be coup had been intended as a retaliation for the abrupt dismissal last weekend of Herr Manfred Fischer, chief executive of Dornier, carried out by Herr Thierbach at the instigation of the majority faction of the family—brothers Justus and Christoph Dornier and Ellen Dornier, widow of the sixth brother, Donatus, who died in 1971.

But it foundered against the 38.4 per cent block of votes marshalled by Justus, Christoph and Ellen. The other three brothers can only command 33.6 per cent, while the fate of the key block of 27.8 per cent of Dornier stock, previously held by the founder's widow, Anna, hinges on the outcome of a bitter legal feud.

The separate parties to the row will make another attempt next week to settle their differences, leaving Herr Rainer Hainich, who has taken over Herr Fischer's former hot seat, to try and still anxieties.

Herr Hainich said yesterday that Dornier aimed to increase its payroll over the course of the year.

Herr Hainich admitted that both the company's civil and military programmes were in a lull. But sales for 1984 climbed by DM 200m to DM 1.45bn ($442m)

HK and China Gas plans rights issue

By David Dodwell in Hong Kong

HONG KONG and China Gas plans a one-for-four rights issue to raise HK$347m (US$44.5m). It also reveals net profits for 1984 of HK$146m, up by 38 per cent on the HK$105.7m profit of 1983.

The company said that it is "entering a new phase of rapid development" and intends to use the funds raised through the rights issue to buy land, production plant and pipelines, and on building installation development.

In October last year, the company awarded a hotly-contested HK$210m contract to build a new town gas plant to Babcock Woodhall-Duckham of the UK. Loans for the project were provided by Britain's Export Credit Guarantee Department and by the Bank of China.

The company, which has a monopoly of town gas supplies in Hong Kong, said turnover in 1984 rose by 21 per cent to HK$874m.

The board is paying a dividend of 21 cents, against an effective 19 cents for 1983.

The rights issue is for HK$5.50 per share—a deep discount on the prevailing stock market traded price of HK$8.50.

Pioneer Electronic in the red

BY OUR FINANCIAL STAFF

PIONEER ELECTRONIC, the Japanese consumer electronics group, has swung into first quarter loss following a downturn in audio sales, notably to export markets.

For the three months ended December 1984, net losses totalled Y234m against a profit of Y3.1m ($11.9m) a year earlier. Audio sales for the quarter tumbled by 13 per cent to Y32bn.

Audio sales dipped to 38 per cent of total turnover, against 43 per cent for the comparable 1983 quarter. Pioneer blamed a poor supply and demand situation in Japan plus weak demand in the U.S. and Europe.

Pioneer's record in recent years has been chequered. On sales of Y320bn, net profits for last year totalled Y8.1bn. It lost money two years previously, while as recently as 1979-80 earnings stood at Y19.3bn.

Total sales for the current first quarter dipped by 1.7 per cent to Y84.5bn. Domestic sales rose by 9.4 per cent to Y34.6bn, but overseas sales fell 8.1 per cent to Y49.9bn.

Helping to mitigate the decline in audio sales, car electronic goods edged up 0.9 per cent to Y29.4bn, while video-related goods sales rose 14.2 per cent to Y16.4bn. Other products sales rose 21.1 per cent to Y6.5bn.

Mattel boosted by increased turnover

BY OUR FINANCIAL STAFF

MATTEL, the major California-based toys group, has reported its fourth consecutive quarter of profits, reflecting higher sales of its Masters of the Universe toys and Rainbow Brite dolls, and continued success of its stalwart Barbie dolls.

Operating net profits in the quarter were $12.1m or 19 cents a share, down from $16.1m in the previous quarter but up from a loss of $10.4m or 65 cents in the 1983 period.

Final net profits in the latest quarter were $14.9m or 37 cents a share, compared with a loss of $172.8m or $9.42 including a $170.3m charge from discontinued operations.

For the year Mattel had net profits of $59.4m or $1.08 a share, compared to a net loss of $400m or $19.68. Sales jumped from $633.4m to $880.9m in the year, and from $136.4m to $268.9m in the quarter.

Mattel has refocused on traditional toys after selling or closing other units, including its disastrous electronic toys segment, in 1983.

The company said international sales rose 42 per cent in 1984, while early-1985 shipments and advertising were the heaviest in the company's history.

Spanish electrical engineering industry faces major overhaul

BY DAVID WHITE IN MADRID

THE 16-month-old suspension of payments at Westinghouse Electric's Spanish subsidiary, which brought the running of the company under the supervision of court-appointed officials, has been lifted amid fresh discussion about an imminent overhaul of Spain's electrical engineering industry.

Representatives of the company, in which the U.S. parent is in the process of transferring its shareholding, said that the ending of the suspension of payments—a kind of tempory receivership—had been approved by the court and that results were expected to be "not far from breakeven point" this year.

The Spanish Westinghouse concern, which has six factories, suffered losses similar to the Pta 840m ($4.6m) of 1983.

Westinghouse's application for suspension of payments in October 1983 was followed by an identical move by the other principal Spanish producer of electrical capital goods, General Electrica Espanola, an affiliate of General Electric of the U.S.

Both companies complained of difficulties in scaling down their workforces in response to a sharp fall in the market for generating and railway equipment.

In the meantime, Westinghouse of the U.S. has, with Spanish Government approval, sold a 42 per cent shareholding in the subsidiary to a British company, Arbobyl, for a token Pta 1 per share, and is due to transfer the 51 per cent it still holds after the end of this year.

Arbobyl, an offshoot of the Swiss-based GMR group which specialises in taking over troubled companies, recently pumped in Pta 1.75bn in fresh capital.

An early retirement scheme has enabled Westinghouse to cut its Spanish workforce from 2,800 to 2,500 since the suspension of payments.

Latest industry proposals for restructuring have brought rumours of a merger between the Westinghouse and GE units. But Westinghouse management described this "an extremely remote possibility."

A lengthy report submitted by the industry association Sercobe to the Government envisages the shedding of 5,900 jobs, almost half the 12,000 currently engaged in the electrical capital goods sector, and puts the financial requirement at Pta 41.8bn ($231m).

This figure, in which the proposed government share is undefined, is recognised by officials of the association as "maybe a bit low" and described by others in the industry as "completely unrealistic."

The bulk of the sum—Pta 25.6bn—would go on straightening out companies' balance sheets, Pta 6.2bn on new investment and Pta 10bn on the cost to the companies of the redundancy programme.

With activity in the sector today running at about 40 per cent of the 1974 level, the report proposes a redistribution of production. However, the industry, dominated by four multinationals, GE, Westinghouse, Siemens and Brown Boveri, is far from agreeing on where the new responsibilities should lie.

BASE LENDING RATES

A.B.N. Bank	14 %	C. Hoare & Co.	†14 %
Allied Irish Bank	14 %	Hong Kong & Shanghai	14 %
Henry Ansbacher	14 %	Johnson Matthey Bkrs.	14 %
Amro Bank	14 %	Knowsley & Co. Ltd.	14½ %
Armco Trust Ltd.	14½ %	Lloyds Bank	14 %
Associates Cap. Corp.	14 %	Edward Manson & Co.	15 %
Banco de Bilbao	14 %	Meghraj & Sons Ltd.	14 %
Bank Hapoalim	14 %	Midland Bank	14 %
BCCI	14 %	■ Morgan Grenfell	14 %
Bank of Ireland	14 %	Mount Credit Corp. Ltd.	14 %
Bank of Cyprus	14 %	National Bk. of Kuwait	14 %
Bank of India	14 %	National Girobank	14 %
Bank of Scotland	14 %	National Westminster	14 %
Banque Belge Ltd.	14 %	Northern Bank Ltd.	14 %
Barclays Bank	14 %	Norwich Gen. Trust	14 %
Beneficial Trust Ltd.	15 %	People's Tst. & Sv. Ltd.	15 %
Brit. Bank of Mid. East	14 %	Provincial Trust Ltd.	15 %
■ Brown Shipley	14 %	R. Raphael & Sons	14 %
CL Bank Nederland	14 %	P. S. Refson	14 %
Canada Perm'nt Trust	14 %	Roxburghe Guarantee	14½ %
Cayzer Ltd.	14 %	Royal Bank of Scotland	14 %
Cedar Holdings	14 %	Royal Trust Co. Canada	14 %
■ Charterhouse Japhet	14 %	■ J. Henry Schroder Wagg	14 %
Choulartons**		Standard Chartered	‖14 %
Citibank NA	14 %	Trade Dev. Bank	14 %
Citibank Savings	¶12¾ %	TCB	14 %
Clydesdale Bank	14 %	Trustee Savings Bank	14 %
C. E. Coates & Co. Ltd.	14½ %	United Bank of Kuwait	14 %
Comm. Bk. N. East	14 %	United Mizrahi Bank	14 %
Consolidated Credits	14 %	Westpac Banking Corp	14 %
Co-operative Bank	*14 %	Whiteaway Laidlaw	14½ %
The Cyprus Popular Bk.	14 %	Williams & Glyn's	14 %
Dunbar & Co. Ltd.	14 %	Wintrust Secs. Ltd.	14 %
Duncan Lawrie	14 %	Yorkshire Bank	14 %
E. T. Trust	14½ %		
Exeter Trust Ltd.	14½ %		
First Nat. Fin. Corp.	15 %		
First Nat. Secs. Ltd.	14½ %		
■ Robert Fleming & Co.	14 %		
Robert Fraser & Ptns.	14½ %		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		
■ Hambros Bank	14 %		
Heritable & Gen. Trust	14 %		
■ Hill Samuel	§14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11%, 1 month 11.75%. Fixed rate 12 months £2,500 11.75%, £10,000 12 months 12.00%.
† 7-day deposits on sums of under £10,000 11%, £10,000 up to £50,000 12%, £50,000 and over 12½%.
‡ Call deposits £1,000 and over 11%.
‖ 21-day deposits over £1,000 12½%.
¶ Mortgage base rate.
§ Demand deposits 11%.
** See Provincial Trust Ltd.

WORLD STOCK MARKETS

WALL STREET

Pressure ahead of weekend

STOCK PRICES were mixed on Wall Street yesterday, when profit-takers kept the market under pressure ahead of the three-day weekend.

By mid-day the Dow Jones Industrial Average was up 2.65 to 129.53, for a rise of a mere 0.56 on the week, while the NYSE All Common Index, at $105.77, rose 7 cents on the day and 38 cents on the week. Declines held a slight majority over gains. Trading volume dropped 34m shares to 59m, compared with noon yesterday.

"There are a number of institutional investors who feel that the market has moved too far too soon, and they are trying to nail down some profits," said Michael Metz, senior vice president and market strategist at Oppenheimer.

He said that force was being counter balanced yesterday by bargain-hunting investors "seeking to buy into the market's recent weakness." The Dow fell 10.04 Thursday.

Analysts said yesterday morning's economic data — a 0.4 per cent rise in January industrial production and unchanged producer prices — had little impact on trading yesterday.

Topping the active list was **Phillips Petroleum**, off ⅛ to $48⅞. *It formally rejected Carl Icahn's* proposed tender offer. **Unocal** were off ⅛ to $41⅞. A Mesa-led group said it holds .9 per cent of its stock.

Sanders Associates recovered $3 to $41⅞—on Thursday it reported lower quarterly earnings.

Dyco were lifted 1⅛ to $15⅞—it said two institutions had stepped up their purchases.

Big gainers included **Dyco Petroleum**, up ⅞ to $15⅞, Matsushita, up $2 to $63, and **Chubb**, up $2 to $62.

Cray Research were down $2⅞ to $69⅞.

Telerate gave way $1⅞ to $20⅞—it filed for a proposed offering of 5m shares.

THE AMERICAN SE Market Value index put on 0.36 to 231.47, for a net rise of 0.42 on the week. Trading volume fell 2m shares to 5.11m compared with mid-day Thursday.

CANADA

A mixed trend continued as gains by oils and golds were offset by losses in most other stock groups around mid-day.

The Toronto Composite index eased another 0.6 to 2,622.5 and Metals and Minerals shed 7.1 to 2,164.1, but *Golds moved* up 23.1 to 3,225.4 and Oil and Gas rose 24.9 to 3,256.5.

AMCA International regained $⅞ to $17⅞, after falling $3⅞ Thursday on omission of its first quarterly dividend.

TOKYO

Steady gains in active trading throughout the day drove the market average up 66.6 to an all-time high of 12,148.29. Volume 410m (380m) shares.

An early steep climb spurred by the yen's relative comeback levelled off in the afternoon and buying solidified across a wide front.

The broader based SE index gained 9.15 to 940.95 and the second section market rose sharply in a trade of 22m (19m) shares.

International populars surged forward, despite Wall Street softness Thursday, as investors took a cue from early foreign buying, dealers said.

Dealers said there is a feeling the biotechnologies have moved ahead too much recently so these counters slipped yesterday as buying shifted to blue-chips.

Foods drew frenzied afternoon buying, triggered by a rumour thatthe police had caught members of a gang which has been trying to extort money from confectioneries since last year, dealers said. Recently-victimised **Morinaga** jumped Y55 to Y475 and **Ezaki Glico** Y47 to Y592.

GERMANY

Firm with sharp individual gains, despite Wall Street's lower overnight close, pushing the Commerzbank 60 share index towards January's record level. The index rose 3.8 to 1,170, only 1.1 points below the all time high set on January 22.

Dealers *said no new factors* emerged and trading was mainly technical, with no special reasons mentioned for **BBC's**, up DM 17 to 208, sharp rise. Other sharp gains were seen in the engineering sector, where recently favoured **Linde** were up DM 5 at 428, after DM 433.

Dealers reported nervous trading, with markets in recent days often switching its preference from one blue chip sector to another. Continued foreign investor demand underpinned *the market and car maker* Daimler strengthened DM 8 to DM 642.

Cars saw some recovery from early lows, although Porsche came back DM 25 to 1,227 after Thursday's sharp rise.

HONG KONG

Sharply higher in very active trading with the Hang Seng Index closing at a 32-month high, rising 51.54 on the day to finish at 1,405.93, after climbing 56.36 in the morning.

Speculators flooded the rumour-packed market as overall sentiment turned very bullish following **Falwyn's** general offer for all the shares of **Wheelock Marden**, brokers said.

Wheelock "A" rose 60 cents *to HK$6.40 above the offer price* of HK$6.00 while the "B" put on 15 cents to 65 cents, compared with the offer price of 60 cents.

Brokers noted speculation that Wheelock's director John Cheung, might make a counter-offer, perhaps in conjunction with a major local company. They said Cheung owns an estimated 27 per cent of Wheelock but has not announced his position.

Turnover was HK$709.71m (HK$322.41m). Institutions were actively buying, brokers said, adding the market could maintain is momentum.

Brokers said Falwyn's offer not only represented renewed confidence in Hong Kong but also triggered interest in various firms that might be tempting takeover targets.

They explained that the majority shareholders of various companies tended to sell part of their stakes from time to time. But under present circumstances they might want to buy back some of their shares to safe*guard their interest*. This would no doubt fuel market sentiment, they added.

They cited the case of China Motor Bus, which advanced HK$1.40 to HK$8.60. Brokers could not explain the rise, and a spokesman said the firm did not know why its stock climbed.

Falwyn has not disclosed its stake in Wheelock apart from the 13.5 per cent it purchased from the Marden family, but some brokers estimated it might have acquired some 40 per cent while others were reluctant to guess.

PARIS

Mixed in a moderately active session. The market was catching its breath after its record-breaking performance on Thursday, observers said.

Americans mostly traded below Thursday's levels, especially General Motors, IBM and ITT. Germans and Gold Mines mostly improved. Oils finished mixed.

SINGAPORE

The market closed mixed after moving uncertainly throughout the day on selling pressure and short-covering interest in quiet trading.

The Straits Times Industrial index rose 1.22 to 804.14 while the SE Industrial/Commercial index lost 0.37 to 583.98. Turnover 7.5m (8.5m) shares.

SWITZERLAND

Domestic stock prices closed mixed in lower volume, with investors squaring positions ahead of the weekend.

The markedly lower dollar had little impact on the market. Recently favoured secondliners such as Interdiscount, Sika Finanz and Motor Columbus fell on profit-taking, but standard *issues were little changed.*

Among foreign issues, dollar stocks were mixed to slightly lower on declining volume. Gold mining shares were little changed, while Dutch and German shares were mixed with *a slightly firmer bias.*

"Big" banks showed price changes of around 10 francs either way.

Closing prices for North America were not available for this edition.

CANADA

Stock	Feb. 14	Feb. 13
AMCA-Intl.	—	20⅜
Abitibi	41	41
Agnico Eagle	13½	13½
Alberta Energy	20	20
Alcan Aluminium	41¼	41⅜
Algoma Steel	22¼	22⅜
Argen Inc	17¾	18
Bank Montreal	27½	27⅞
BankNova Scotia	14	13⅞
BCE	37⅛	37⅛
Bombardier	23½	22½
Bow Valley	17	17¾
BP Canada Res.	27	27¼
Brascan A	35⅜	35⅝
Brinco	1.80	1.75
B.C Forest	11⅞	12
CIL Inc	29¼	29¼
Cad n cFairview	15⅛	15⅛
Cambell Red Lk.	25	25¼
Can. Cement Pt.	11⅞	12
Can. NW Energy.	24¾	24¼
Can. Packers	30	29¾
Can. Trustco	32½	31½
Can. Imp. Bank	31¾	31
Can. Pacific	69¼	69
Can. Pac. Ents	28	27⅞
Can. Tire C.	1.04	10¼
Canfor	11¾	11⅝
Carling O'Kfe	—	14¾
Chieftain	13⅝	13⅝
Cominco	15½	14⅝
Conigas Mines	50	5.13
Cons. Bathst. A	18⅝	18½
Copper Lake	0.60	0.62
Coremark Intl	7¼	7½
Costain	9⅝	9⅝
Denison Mines A	15⅜	15½
Dofasco	28	27½
Dome Mines	11½	11½
Dome Petroleum	3.25	3.20
Domtar	[illegible]	39
Falconbridge	93⅝	94½
Fed. Inds A	21⅝	21½
Grendis A	27½	27¼
Genstar	30⅝	30¾
Giant Y'knife	12¾	12⅞
Gt. West Life	3.30	3.30
Gulf Canada	17⅝	17⅝
Hawker Sid.Can.	22	22
Hudson's Bay	18⅝	18⅝
Husky Oil	11¼	11¼
Imasco	54½	55⅛
Imperial Oil A	47⅝	47½
Inco.	18	18½
Indal	14¾	14⅞
Int. Pipe	33⅞	34
Labatt (John)	25¼	25⅛
Lac Minerals	28¼	28¼
Loblaw	19¾	20
Macmil. Bloedel.	—	26½
Marks & Spencer	6⅝	6¾
MasseyFerguson	3.80	3.75
McIntyre Mines	44¾	44
Mitel Corpn	10¼	10¼
Molson A	16¾	16⅞
Moore Corp	67½	68
Nat. Sea Prods A	5¾	5½
Noranda Inc	19⅞	20⅛
Norcen Energy	14⅝	14¼
Nth. Telecom	54	55
Nova Alberta	7¼	7¼
Numac Oil	15⅛	15⅛
Oakwood Pet.	4.95	4.95
Pan Can Pet	28⅝	28⅛
Placer Dev	25⅛	25⅝
Power Corp	29⅝	29½
QuebecSturgeon	3.50	3.50
Ranger Oil	6¾	6⅞
Reed Stenhs	21⅝	21⅝
Rio Algom	23¼	23⅝
Royal Bank A	31	31¼
Royal Trust A	18½	18¼
Sceptre Res	6	6
Seagram	67⅜	67¾
Sears Can. Inc.	8	8
Shell Canada Oil	23¾	24⅛
Stelco	22⅞	23⅛
Teck B	11⅞	12
Texaco Canada	33⅝	33⅝
Thomson New.	63¾	64¼
Toronto Dom.Bk	19¼	19¼
TrantsaltaA	23⅞	23¾
Trans. Can. Pipe.	22⅞	22⅞
Walker Hiram	—	27⅜
Westcoast Tra.	14⅞	15
Weston (Geo.)	80	80¼

Indices

NEW YORK

DOW JONES

	Feb. 14	Feb. 13	Feb. 12	Feb. 11	Feb. 8	1984-85 High	1984-85 Low	Since Compiltn High	Since Compiltn Low
Industrils	1287.98	1297.92	1276.61	1276.06	1289.97	1297.92 (13/2/85)	1086.57 (24/7)	1297.92 (13/2/85)	41.22 (2/7/32)
H'me Bnds	74.25	74.05	74.02	73.89	73.99	74.47 (30/1/85)	64.81 (25/5)	—	—
Transport.	630.98	634.52	625.33	621.24	630.09	634.52 (13/2/85)	444.05 (25/7)	634.52 (13/2/85)	12.32 (8/7/32)
Utilities	150.80	151.16	149.57	149.31	150.80	151.18 (13/2/85)	122.25 (15/6)	163.72 (20/4/69)	10.5 (29/4/42)
TradingVol 000's	139,780	142,460	111,12	104	116.46	—	—	—	—

e Days High 1307.53 (1304.66) Low 1283.68 (1274.51)

	Feb. 8	Feb. 1	Jan. 25	year ago (approx)
Industrial div. yield %	4.68	4.72	4.72	4.71

STANDARD AND POORS

	Feb. 14	Feb. 13	Feb. 12	Feb. 11	Feb. 8	1984-85 High	1984-85 Low	Since Comp't High	Since Comp't Low
Indust'ls	203.63	204.79	201.72	201.85	203.80	204.79 (13/2/85)	167.74 (24/7)	204.79 (13/2/85)	3.62 (30/6/32)
Comp's'te	182.41	183.35	180.56	180.51	182.19	183.35 (13/2/85)	147.82 (24/7)	183.35 (13/2/85)	4.40 (1/6/32)

	Jan. 23	Jan. 16	Jan 9.	year ago (approx)
Industrial div. yield	3.85	4.00	4.15	3.76
Industrial P/E ratio	11.14	10.71	10.31	13.49
Long Gov. Bond yield	11.19	11.51	11.40	11.54

N.Y.S.E. ALL COMMON

Feb. 14	Feb. 13	Feb. 12	Feb. 11	1984-85 High	1984-85 Low
105.70	105.03	104.57	104.5	106.08 (13/2/85)	85.13 (24/7)

Rises and Falls

	Feb. 14	Feb. 13	Feb. 12
Issues Traded	2,036	2,014	1,988
Rises	805	1,209	795
Falls	821	393	712
Unchanged	409	412	481
New Highs	243	217	90
New Lows	3	0	3

TORONTO	Feb. 14	Feb. 13	Feb. 12	Feb. 11	1984-85 High	1984-85 Low
Metals & Minerals	2171.2	2150.07	2187.89	2183.5	2524.4 (12/1/84)	1641.2 (25/7)
Composite	2626.1	2628.5	2602.10	2602.7	2628.3 (15/2/85)	2079.7 (24/7)
MONTREAL Portfolio	132.27	132.67	130.99	130.88	132.67 (15/2/85)	100.56 (24/6)

	Feb. 15	Feb. 14	Feb. 13	Feb. 12	1984-85 High	1984-85 Low
AUSTRALIA						
All ord. (1/1/80)	788.2	785.3	773.9	787.7	787.9 (9/1/84)	548.3 (18/6)
Metals & Minls. (1/1/80)	454.9	456.5	445.3	455.7	567.4 (5/1/84)	393.9 (7/1/85)
AUSTRIA						
Credit Aktien (2/1/62)	64.20	63.53	63.08	62.98	64.20 (15/2/85)	53.20 (15/3)
BELGIUM						
Brussels SE (1/1/80)	2169.42	2156.79	2150.35	2143.84	—	—
DENMARK						
Copenhagen SE (5/1/83)	—	174.57	173.96	174.95	225.2 (20/1/84)	158.44 (8/1/85)
FRANCE						
CAC General (31/12/82)	200.60	200.5	193.9	197.9	200.9 (15/2/85)	155.6 (5/1/84)
Ind Tendance (28/12/84)	109.10	103.3	103.5	107.7	109.5 (14/2/85)	100.0 (28/12/84)
GERMANY						
FAZ Aktien (31/12/58)	401.65	400.32	397.15	398.03	402.73 (8/1/85)	317.17 (25/7)
Commerzbank (1/12/53)	1170.0	1166.2	1156.3	1132.5	1171.1 (22/1/85)	917.7 (25/7)
HONG KONG						
Hang Seng Bank (31/7/64)	1405.5	1354.53	1335.32	1357.22	1405.9 (16/2/85)	746.02 (13/7)
ITALY						
Banca Comm Ital. (1972)	285.96	275.65	276.66	272.24	283.56 (15/2/85)	192.08 (2/1/84)
JAPAN**						
Nikkei-Dow (16/5/49)	12146.3	12081.7	12025.7	12027.89	12148.3 (15/2/85)	9703.35 (23/7)
Tokyo SE New (4/1/68)	944.45	951.80	924.12	924.54	940.35 (15/2/85)	738.46 (4/1/84)
NETHERLANDS						
ANP-CBS General (1970)	201.4	201.4	193.9	193.1	201.4 (14/2/85)	146.8 (25/7)
ANP CBS Indust (1970)	183.5	153.7	157.4	156.7	153.5 (15/2/85)	118.7 (8/6)
NORWAY						
Oslo SE (4/1/83)	327.29	333.18	325.8	325.2	345.8 (9/2/85)	221.67 (4/1/84)
SINGAPORE						
Straits Times (1966)	804.14	802.92	805.74	805.51	1071.9 (8/2/84)	794.4 (16/1/85)
SOUTH AFRICA						
Gold (1958)	895.0	890.1	853.7	859.0	1099.0 (19/11)	759.1 (24/1/84)
Industrial (1958)	863.7	858.3	865.5	863.7	1105.5 (26/3)	858.5 (19/9)
SPAIN						
Madrid SE (28/12/84)	115.85	115.33	114.49	114.22	117.41 (4/2/85)	100.00 (28/12/84)
SWEDEN						
Jacobson & P (1/1/58)	1448.12	1458.69	1462.5	1467.65	1594.5 (6/2/84)	1502.89 (22/11)
SWITZERLAND						
Swiss BankCpn. (31/12/58)	415.7	416.5	413.5	412.3	418.5 (9/2/85)	354.8 (26/7)
WORLD						
Capital Intl. (1/1/70)	195.8	196.8	196.1	194.4	197.1 (1/2/85)	165.2 (14/12)

** Saturday February 2: Japan Nikkei-Dow 11,889.5. TSE 923.95.

Base value of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. e Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
AT & T	2,564,000	21⅞	— ⅛
Unocal	2,120,700	48	—
Cray	1,864,700	76⅞	— ⅞
Sentral Equip	1,369,200	116⅞	—6
Phillips Petrom.	1,762,100	46	— ⅞
Atlan. Richfield	1,692,800	49⅞	+1⅛
Wendy's	1,413,200	20⅞	+1
Goodyear Tire	1,380,900	28⅞	—
IBM	1,343,300	132	— 1⅞
Ford Motor	1,301,100	45⅞	— ⅞

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar eases

The dollar continued to lose ground in currency markets yesterday on further profit-taking ahead of the long weekend. Dealers were also anxious to square their books ahead of Monday's closure of U.S. centres for Washington's birthday.

In addition Eurodollar interest rates were slightly easier following Thursday's smaller than expected rise in U.S. money supply, which gave rise to speculation that the Federal authorities were not contemplating a further tightening of monetary policies.

The dollar closed at DM 3.2650 from DM 3.2870 and Y256.80 from Y260.45. It was also weaker in terms of the Swiss franc at SwFr 2.7780 from SwFr 2.7980 and FFr 10.0050 compared with FFr 10.0675. On Bank of England figures, the dollar's index fell from 151.0 to 150.0.

Sterling took advantage of the dollar's weaker trend to finish at its best level of the week. Its index rose to 71.4 from 71.1 having been as high as 71.6 in the morning. Against the dollar it rose to $1.1085 before finishing at $1.1030-1.1040, arise of 1.15c. It was also higher against the D-mark at DM 3.60 from DM 3.5925 and SwFr 3.0625 from SwFr 3.0550. Against the French franc is rose to FFr 11.0250 form FFr 10.9850 but soldnuorgt gt7a FFr 10.9850 but lost ground against the Papanese yen to finish at Y283.0 compared with Y284.50.

STERLING EXCHANGE RATE INDEX (Bank of England)

	Feb 15	Previous
8.30 am	71.2	71.1
9.00 am	71.2	71.1
10.00 am	71.6	71.1
11.00 am	71.5	71.1
Noon	71.5	71.1
1.00 pm	71.5	71.1
2.00 pm	71.4	71.2
3.00 pm	71.5	71.1
4.00 pm	71.4	71.1

POUND SPOT—FORWARD AGAINST POUND

Feb 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.0955-1.1085	1.1030-1.1040	0.47-0.44c pm	4.95	1.23-1.18pm	4.37
Canada	1.4700-1.4802	1.4755-1.4785	0.50-0.42c pm	3.74	1.25-1.12pm	3.21
Nethlnd.	4.06¾-4.09½	4.07¾-4.08¾	2¼-2c pm	6.25	6½-5⅞pm	6.00
Belgium	72.19-72.77	72.45-72.55	22-16c pm	3.14	53-44 pm	2.88
Denmark	12.89-12.94	12.91½-12.92½	4½-3½ore pm	3.37	9-7¾pm	2.59
Ireland	—	1.1575-1.1585	0.04p pm-0.13dis	−0.47	0.08-0.38dis	−0.76
W. Ger.	3.59-3.61¼	3.59½-3.60½	2¾-2½pf pm	7.50	6½-6¼pm	7.01
Portugal	197¾-201¾	197¾-201¾	190-625c dis	−21.50	495-1395dis	−18.85

OTHER CURRENCIES

Feb. 15	£	$		£ Note Rates
Argentina Peso..	265.63-266.00	240.74-240.94	Austria	25.20-25.50
Australia Dollar.	1.4890-1.4915	1.3515-1.3530	Belgium	73.50-73.30
Brazil Cruzeiro...	4,172-4,198	3,783-3,802	Denmark	12.89-13.08
Finland Markka.	7.4945-7.5175	6.8035-6.8055	France	10.98-11.10
Greek Drachma.	145.04-147.96	132.10-134.76	Germany	3.59-3.62
HongKong Dollar	8.5970-8.6070	7.7980-7.8000	Italy	2215-2240
Iran Rial	105.70*	95.10*	Japan	282-286

Rates ease

UK interest rates were lower yesterday as the pound improved in reaction to the dollar's weaker trend. Three-month eligible bank bills were bid at 13⅝ per cent down from 13¾ per cent while three-month interbank money was quoted at 13 7/16-13 9/16 per cent down from 13 13/16-13 15/16 per cent. Weekend interbank money opened at 13¾-14¼ per cent and touched a high of 14¼-14½ per cent before slipping away to 5 per cent.

The Bank of England forecast a shortage of around £1,200m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £557m and the unwinding of previous sale and repurchase agreements a further £924m. In addition Exchequer transactions accounted for £900m and there was a rise in the note circulation of £225m. Banks also brought forward balances £110m below target. These were partly offset by a £1,540m take up of the latest temporary sale and repurchase facility offered to the market. The average rate on one and two month money relating to this facility was 14 per cent.

To help alleviate the shortage, the Bank offered an early round of assistance and bought £54m of eligible bank bills, £42m in band 1 (up to 14 days) at 13⅞ per cent, £11m in band 2 (15-33 days) at 13¾ per cent and £1m in band 4 (64-91 days) at 13½ per cent. The forecast was revised to a shortage of around £1,250m and the Bank gave additional help in the morning of £800m, comprising purchases of £5m of eligible bank bills in band 1 at 13⅞ per cent and £27m in band 2 at 13¾ per cent. It also arranged sale and repurchase agreements on £768m of bills at 13⅞ per cent unwinding on February 22.

The forecast was revised again back to £1,200m and the Bank gave assistance in the afternoon of £342m. The afternoon help comprised purchases of £68m of eligible bank bills in band 1 at 13⅞ per cent and £209m in band 2 at 13¾ per cent. In band 3 (34-63 days) it bought £65m of eligible bank bills at 13⅝ per cent. The Bank also provided late assistance of £75m, making a total of £1,271m.

UK clearing banks base lending rate 14 per cent since January 28

MONEY MARKETS

LONDON MONEY RATES

Feb. 15 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	5-14½	14-14¼	5-14½	6-14¼	—	—	—	—	—
2 days notice	—	—	13⅞-14	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14-14⅛	14	14-14⅛	13⅞	—	—	—	—	—
One month	14 1/16-14 1/16	14⅛-14¼	14 1/16	14⅛	13⅞	13¾	13¼	13 13/16	13 25/32	14 5/16
Two months	13⅞-13¾	13 15/16-14 1/16	13 13/16	14⅛	13½	13½	13⅛	13 9/16	13 7/16	14 1/16
Three months	13½-13 7/16	13 7/16-13⅞	13 9/16	13⅞	13¼	13⅝	13⅛	13⅝	13¼	14
Six months	12 13/16-12⅝	12⅞-13¼	12¾	—	—	—	—	12 7/16	11 15/16	12 13/16
Nine months	12¼-12	12¾-12⅞	—	—	—	—	—	—	—	—
One year	12-11⅞	12⅝-12⅝	12 3/16	—	—	—	—	—	—	—

Discount Houses Deposit and Bill Rates

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	14⅞-14½	—	14⅛	8.6-8.7	8 5/16-8 7/16	9 15/16-10⅛
Two months	14¼-13⅞	—	14	8.7-8.8	8½-8¾	10 1/16-10¼
Three months	13⅞-13½	—	13⅝-13¾	8.85-8.95	8⅝-8⅞	10 1/16-10¼
Six months	12¾-12½	—	12¾-13	9.15-9.25	8⅞-9⅛	10 1/16-10¼
Nine months	12⅝-12⅝	—	12⅝	9.4-9.6	—	—
One year	12½-12¼	—	12⅝	9.8-10.0	9 5/16-9 7/16	10-10 3/16
Two years	—	11¾	—	—	—	—
Three years	—	11¾	—	—	—	—
Four years	—	11¾	—	—	—	—
Five years	—	11¾	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of interest period January 2 to February 1985 (inclusive): 11.840 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 10½ per cent from February 1 1985. London and Scottish. Clearing Bank Rates for lending 14 per cent. London Deposit Rates for sums at seven days' notice 11-11½ per cent. Treasury Bills: Average tender rates of discount 13.1320 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 13½ per cent; one-three months 13¼ per cent; three-six months 12¾ per cent; six-nine months 12¾ per cent; nine-12 months 12 per cent. Under £100,000 11½ per cent from February 13. Deposits held under Series 8 12 per cent. The rate for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. February 15)

Three months U.S. dollars	
bid 8 7/8	offer 9

Six months U.S. dollars	
bid 9 3/8	offer 9 1/2

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Feb. 15	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	14-14¼	8⅜-8½	9¼-9⅝	6⅞-7	1¾-2	5⅜-5½	10 9/16-10 11/16	14-15	10⅞-11⅛	10¼-10½	6⅛-6 3/16	8½-9
7 days' notice	14-14¼	8 7/16-8 9/16	9¼-9⅝	6⅞-7	1¾-2	5⅜-5⅝	10 9/16-10 11/16	14-15	10¼-10½	10½-10¾	6⅛-6¼	8¾-9¼
Month	14-14⅛	8½-8⅝	9 11/16-9⅞	6 11/16-7 1/16	5½-5⅝	5 13/16-5 15/16	10⅝-10¾	14⅛-14⅝	10½-10¾	10⅝-10⅞	6 5/16-6⅜	10⅛-10⅝
Three months	13¾-13⅞	8⅞-9	10⅛-10 5/16	7-7⅛	5⅝-5¾	6 1/16-6 3/16	11 1/16-11 3/16	14½-15	10⅝-10⅞	10¾-11	6⅜-6 7/16	10¾-11¼
Six months	12 11/16-12 13/16	9⅜-9½	10⅝-10 13/16	7-7⅛	5 11/16-5 13/16	6⅜-6½	11 5/16-11 7/16	14¾-15⅛	10¾-11	10¾-11	6⅜-6 7/16	10⅞-11⅜
One year	12¼-12⅜	9 13/16-10 1/16	10 13/16-11⅛	7 1/16-7 3/16	5 11/16-5 13/16	6 5/16-6 7/16	11 11/16-11 13/16	15¼-15⅝	11⅛-11⅝	10⅞-11⅛	6⅜-6 7/16	11-11½

Asian $ (closing rates in Singapore): Short-term 8 7/16-8 9/16 per cent; seven days 8½-8⅝ per cent; one month 8½-8⅝ per cent; three months 8⅞-9 per cent; six months 9¼-9⅜ per cent; one year 9⅞-10 per cent. Long-term Eurodollars: two years 10¾-11 per cent; three years 11⅛-11⅜ per cent; four years 11½-11¾ per cent; five years 11⅝-11⅞ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen, others two days' notice.

COMMODITIES AND AGRICULTURE

WEEKLY PRICE CHANGES

	Latest	Ch'nge on week	Year ago	1984/5 High	1984/5 Low
Tapioca No. 1	‡	—	£312	£330	£295
Tea (quality) kilo	310p	−6	300p	375p	257p
(low med) kilo	235p	−15	210p	280p	196p
Wooltops 64s Super	526p kilo	+3	474p kilo.	523p kilo	526p kilo

‡ Unquoted. (g) Madagascar. § Ghana cocoa. (x) April. (w) Feb-Mar. (z) March-April. (y) March. (u) May.

REVIEW OF THE WEEK

Sterling rally trims copper price advance

BY OUR COMMODITIES STAFF

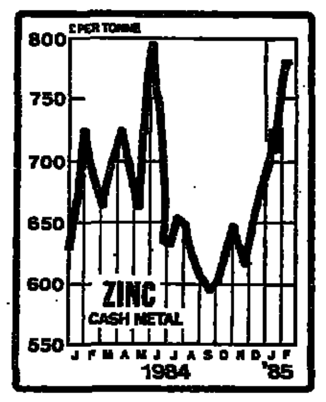
THE VARYING fortunes of sterling on the foreign exchange market dictated price patterns for most London base metal market this week. London Metal Exchange (LME) quotations tended to firm early on as the pound weakened against the dollar, and rallied towards the end of the week reflecting sterling's rally.

The prime example of this pattern was copper. The cash high grade LME position moved up £56.25 by Wednesday's close, aided by a further decline in LME stocks last week, but ended the week only £31 higher, having slipped back £22.50 yesterday to £1,278.50 a tonne. Apart from sterling's relative firmness thelate decline was influenced by general liquidation of uncovered long positions, manufacturer hedging sales and the triggering of stop-loss selling orders.

A strong start on Monday lifted aluminium prices to the highest levels for nearly a year, but most of the gains were lost and the cash position ended only £7.50 higher on balance at £1,003 a tonne. The early gains had been encouraged by last week's hefty 4,650 tonnes International Primary Aluminium Institute of a downturn in non-communist world stocks in December.

Despite falling back yesterday tin prices ended above £10,000 a tonne, a level reached for the first time ever earlier in the week. Cash standard metal closed £75 up at £1,015 a tonne after reaching £10,020 a tonne at one stage.

Zinc was the only LME metal to defy the general trend with prices remaining firm throughout the week. Good demand for the metal, coupled with a continuing shortage of supplies available for nearby delivery, pushed cash zinc £25.50 higher to £780.50 a tonne. The cash price is still some way below last June's peak but the three months position reached a 10-year high during the week.



Among the soft (non-metal) commodities cocoa had a lively week. An £83.50 fall was triggered in the May position on Monday by the receipt of delayed Nigerian shipment declarations, concern about which had previously been buoying the market. Helped by the pound's weakness about half the loss was recovered before renewed speculative selling and talk of improved crop prospects in Brazil, the Ivory Coast and Ghana (the three biggest producing countries) pushed prices down again. The May position ended the week £122 down at £2,134.50 a tonne.

The coffee futures market was quieter with prices moving mainly in response to currency factors until a U.S. Agriculture Department forecast of a 22 per cent rise in Brazil's 1985-86 crop encouraged a £21 fall yesterday which left the May position £4.50 up on the week at £2,368.50 a tonne.

BASE METALS

ALUMINIUM

Alumn'm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	997.5-3.5	−10.5	1002.5-3.5	−8.5
3 months	1032.5-3.5	−12-2	1037.5-5.5	−8.5

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grde	£	£	£	£
Cash	1288-.5	−15.5	1278-8	−22.5
3 months	1308-.5	−12.5	1302-.5	−24.5
Settlem't	1288.5	−9.5	—	—

March 75.00p (75.25p); April 75.75p (76.00p). The Kuala Lumpur Feb fob prices for RSS No 1 was 188.0 (189.0) cents a kg and for SMR 20 was 190.0 (same).

INDICES

FINANCIAL TIMES

Feb. 14	Feb. 13	M'th ago	Year ago
296.41	298.85	297.42	290.77

(Base: July 1 1952 = 100)

OIL

March Arab Light traded at $27.70 and $27.75 and early March Brent at $29. Forward Brent got off to a weak, slow start but recovered during the day. Nymex opened 5c up and gained a further 10c during the morning. In the petroleum products market prompt gas oil prices fell in quiet trade. The $12 differential between March and February prices and the latter's lack of sellers made buyers reluctant to position themselves. Heavy fuel was nervous but unchanged with little activity as the market awaited the outcome of coal strike talks—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arab Light	27.70-27.75	+0.025
Arab Heavy	25.60-25.70	—
Dubai	27.25-27.35	—
Brent Blend	28.35-28.40	+0.025
W.T.I. (1pm est)	27.85-27.95	+0.10
Forcados (Nigeria)	28.50-28.50	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe "cif" ($ per tonne		
Premium gasoline	238-245	+5
Gas Oil	248-250	−2.5
Heavy fuel oil	189-193	—

Petroleum Argus Estimates

GAS OIL FUTURES

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
Feb.	250.50	+3.00	250.50-48.00
March	232.50	+1.00	232.50-31.50
April	221.25	+0.50	221.50-20.50
May	216.25	+0.50	211.25-15.75
June	213.00	−1.00	215.00
July	213.00	+1.50	216.00
Aug	214.75	+1.25	—

Turnover: 1,839 (2,071) lots of 100 tonnes.

GOLD

Gold fell just $¾ an ounce from Thursday's close in the London bullion market yesterday to finish at $304-304½. The metal opened at $304½-305 and traded between a high of $305¼-305¾ and a low of $303¾-304¼. Trading was extremely quiet ahead of the weekend and the closure of several markets next week.

GOLD BULLION (fine ounce) Feb. 15

Close	$304-304½	(£275¾-276¼)
Opening	$304½-305	(£277-277½)
M'ni'g fix.	$304.90	(£275.928)
Aft'n'n fix.	$304.00	(£275.236)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$313½-314¼	(£284¼-285)
½ Krug.	$161¼-162	(£145¾-147)
¼ Krug.	$82-83¾	(£74½-75)
1/10 Krug.	$33¼-34	(£30¼-30¾)
Mapleleaf	$313½-314¼	(£284¼-285)
New Sov.	$72-72½	(£65¼-65¾)
½ New Sov	$43¼-44	(£39¼-40)
Old Sov.	$72-73½	(£65¼-65¾)
$20 Eagle	$465-495	(£421¾-449)
Noble Plat	$284¼-287½	(£257¼-260¼)

Turnover: 100 (100) lots of 100 troy ounces.

LONDON FUTURES

Month	Yest'days close	+ or —	Business Done
	$ per troy ounce		
Feb.	—	—	—
April	307.50	—	307.50
Jun.	—	—	—

AMERICAN MARKETS

PRECIOUS METALS strengthe Precious Metals strengthened reflecting the weaker dollar although aggressive buying was not in evidence due to the unchanged producer price index and the weakness in financials, reports Heinold Commodities. Copper and aluminium showed modest losses on pre-weekend profit-taking. Sugar showed sharp gains on stop-loss buying as trade support developed. Cocoa came under pressure on indications that manufacturers are well covered. Coffee remained featureless with light support from arbitrage buying. Cotton traded steady reflecting evening-up ahead of the planting intentions report. The grain and soyabean complex attracted good speculative buying in sympathy with the rebound in currencies. The energy complex firmed reflecting tightness of nearby supplies in Europe.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	47.75	—	—	49.80
March	49.95	50.25	49.85	50.00
April	50.40	—	—	50.45
May	50.85	51.15	50.70	52.85
July	51.65	51.70	51.70	51.65
Sept	52.45	52.55	52.55	52.45
Dec	53.65	—	—	53.65
Jan	54.05	—	—	54.05
March	54.85	—	—	54.85

MARKET REPORT

Sterling and interest rates continue to dominate
Gilts move higher again but equities turn easier

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Jan 28	Feb 7	Feb 8	Feb 18
Feb 11	Feb 21	Feb 22	Mar 4
Feb 25	Mar 7	Mar 8	Mar 18

* "New-time" dealings may take place from 9.30 am two business days earlier.

Currency and interest rate trends continued to dominate London stock markets. For the second consecutive session, Government securities rose strongly behind an improving sterling exchange rate and lower UK money market rates. Both reflected a tendency for the dollar to lose strength ahead of the long holiday weekend in the U.S.

Long Gilts opened around a point higher and put on ½ more during relatively thin trading following the fresh fall in the key three-month interbank rate to 13⅝ per cent. This aroused *fresh hopes of lower bank base* lending rates in the not too distant future. Shorter maturities also advanced and the Government Broker sold the tap *stock £20-paid Exchequer 11 per* cent 1989, at 20½, and was possibly established later at 20¼: the stock began life on Thursday at a ⅞ discount.

The *authorities'* sales eventually dampened domestic interest and, with little evidence of further overseas support, profit-takers began to appear. Traders dismissed talk that recent U.S. investors in UK equities may have switched to Gilt-edged stocks. Quotations for all British Funds began to drift back from the highest and longer-dated issues were finally only ¼ up, after 1¼. Gains in the shorts were reduced from ⅜ to around ⅛ in the end.

Inflationary pressures aroused fresh demand for index-linked Gilts which rose 1¼ points before easing back after-hours on news of new Government funding: £400m of Treasury 2½ per cent 2013 is to be issued by tender at no minimum price. Ultra-long stocks eventually settled a maximum of ⅝ higher on the session.

Leading equities were again a backwater, being subdued by Wall Street's failure overnight to hold above the 1,300 level. American favourites **ICI** and **Jaguar** both slipped back, the former following unsuccessful attempts to place a short-million shares and the latter on a report that the U.S. may well decide to impose import quota controls.

The general reduction in the business volume could also have mirrored investors' doubts over *mooted taxation cuts in next* month's Budget. At the close of trade, most leading shares showed minor losses and the FT Ordinary share index ended 4.8 lower at 979.9; over the week, the index was 8.6 down.

Lloyds fall

A Financial Times report that the International Monetary Fund had warned Brazil—the largest debtor in Latin America—that it may withhold payment of a $400m loan instalment due *next month, unsettled the major* clearing banks. **Lloyds**, heavily exposed in the area, were particularly vulnerable and fell 22 to 563p. Other losses, however, were fairly small with **Barclays** rallying from 605p to finish only 2 easier at 613p, while **NatWest** gave up 5 to 670p, after 663p. **Midland** eased 2 to 333p, after 330p. Reflecting Far-eastern influences, **Hong Kong and Shanghai** rose 4 to 104p; the preliminary figures are scheduled for March 12. Among Hire Purchases, **First National Finance Corporation** advanced 3 further to a 1984-85 peak of 103½p on renewed support. For the same reason, **London Scottish Finance** ended 4 up at 73p.

Lloyds Brokers eased in sympathy with the dollar's reaction. **Willis Faber**, 625p, and **Sedgwick**, 367p, gave up 13 and 10 respectively, while **Stewart Wrightson** slipped 6 at 584p.

Thursday's highly successful market newcomer **Hillsdown Holdings** attracted a good two-way business and settled 3 cheaper at 175p, after 173p, still a premium of 30 over the striking price of 145p.

Leading Buildings passed an uneventful session and closed virtually unchanged, but secondary issues again recorded several noteworthy movements. **Ward Holdings** issues attracted further support ahead of the annual results which are expected shortly, the Ordinary and Deferred both rising 13 to 160p and 158p respectively. **Heywood Williams**, also reporting soon, firmed 3 for a two-day gain of 18 to 132p. **Benford Concrete Machinery** put on 5 to 70p on suggestions that London and Midland Industrials may launch a bid for the company after failing to win control of Hoskins and Horton; LMI already holds a 29.9 per cent stake in Benford. Elsewhere, further consideration of the progress report on U.S. expansion lifted **Attwoods** 7 more to 110p for a gain on the week of 16.

ICI closed 10 lower at 852p, after 850p; London and New York *dealers were unable to* place nearly 1m shares and the selling order was subsequently withdrawn. ICI's annual results are due on February 28.

Stylo firm

Stylo, which recently successfully resisted a partial tender offer from British Land, attracted revived support and advanced 15 to 185p.

The diminishing prospect of tax cuts in the forthcoming Budget coupled with the warning on mortgage rates from the Halifax Building Society left leading Stores in a dull mood. **Burton** shed 8 to 418p with **House of Fraser** 4 *cheaper* at 324p. Fading bid hopes clipped 6 from **Debenhams** at 213p. Among subdued secondary counters, **Foster Bros** improved 4 more for a gain on the week of 68 at 196p—10 above the rejected offer from **Ward White**, a penny up at 223p.

Drawing encouragement from the Inmos profits recovery, **Thorn EMI** improved 5 to 450p, after 452p. Other Electrical majors, however, drifted lower. **BICC** lost 5 to 245p and **GEC** softened a couple of pence to 192p. **British Telecom** eased a penny to 126p as did **Plessey**, to 173p; the latter's third-quarter figures are scheduled for Thursday. **Standard Telephones and Cables** failed to extend Thursday's recovery and closed 2 down on the day and 52 lower on the week at 193p following the proposed £168m rights issue and disappointing profits forecast. *Elsewhere, a few recently* depressed high-technology stocks rallied sharply. **Logica** rebounded 34 to 312p and **Applied Holographics** 20 to 210p. *Microgen added* 20 at 980p, while **Energy Services** improved 3 to 58p. **Amstrad**, annual figures due on February 26, firmed 2 to 76p, but **HB** lost 5 to 78p.

Buying of **Vickers** ahead of the preliminary figures scheduled for February 25 found the market short of stock and the close was 10 higher at 247p. **TI**, however, cheapened 4 further to 238p as speculative interest faded. **Hawker** retreated 6 to 431p. Elsewhere in Engineerings, **MS International** *dropped* to 36p before closing 5 down on balance at 40p following news of the interim deficit. **Birmid Qualcast**, at 83½p, lost 3 of *Thursday's rise of 4½ after* Press comment on the annual results, but **Haden** attracted revived support and put on 8 to 216p and **Brasway** gained 3 to 44p.

Food Manufacturers were unable to repeat Thursday's bright performance and tended to ease as interest faded, however, buyers returned for **Rowntree Mackintosh** following a broker's recommendation and the close was 10 higher at the day's best of 375p. Speculative demand lifted **Associated Fisheries** 10 to 11pp while an investment recommendation aided **Pyke Holdings**, up 8 at 320p. **British Vending Industries** gained 7 to 70p in a restricted market.

Avon Rubber good

Light selling and the absence *of support* lowered miscellaneous industrial leaders, particularly the recent international favourites. **BTR** gave up 12 at 642p and **Beecham** 5 at 357p, while **Glaxo** cheapened ½ to £11⅞. **Reed International**, in contrast, hardened 4 to 564p, helped by comment about the sale of its subsidiary, Spicer-Cowan, to Wiggins Teape. Speculative demand left **Avon Rubber** 20 to the good at 293p, while favourable Press mention took **TSL Thermal Syndicate** up 10 to 212p. Comment also left **Intereurope Technology** 50 higher at 450p and **United Parcels** 5 dearer at 95p. The battle for control of Hoskins and Horton appeared to be nearing an end when Scottish and Heritable Trust revised its offer and claimed acceptances of 62 per cent. **Hoskins and Horton** firmed 6 to 353p. **Tranwood**, up 3½ more at 16p, reflected renewed speculative buying on continuing talk of management reorganisation. Buying interest also developed for **Pritchard Services**, 3 higher at 96p, after 97p, and **Peter Black**, 7 to the good at 230p, but profit-taking clipped 4 from **Brook Street Bureau**, at 121p, after the recent sharp rise on several bid approaches. **Booker McConnel** drifted off to close 6 down at 254p awaiting further developments in the bid situation. Elsewhere, following the official announcement of an offer from Falwyn, **Wheelock Marden A** rose 12 to 76p.

Tour operators made a brighter showing than of late. **Horizon** found support and rose 7 to 142p, while **Saga** improved 3 to 168p. **Intasun** also firmed 3, to 115p, after 117p, on news that Iberotravel had increased its stake to 8.1 per cent. Elsewhere in the Leisure sector, **Medminster** gained 6 to 136p following Press comment.

Firmer sterling and a Press report suggesting that the U.S. government is set to introduce import surcharges combined to unsettle sentiment in **Jaguar** which dipped to 330p before closing 13 lower on balance at 335p. Distributors highlighted **Lex Services** which slumped to 220p following a downgraded profits forecast from brokers Phillips and Drew: the shares rallied later to finish a net 13 off at 240p but still showed a decline of 58 over the week.

Secondary issues provided the features in Properties. **Trafford Park Estates** encountered a sudden burst of speculative buying an draced ahead to a 1984-85 peak of 222p before closing 17 higher at 212p. **Weber Holdings** attracted support of a similar nature and finished 8 up at 112p, after 115p. **Daejan**, still reflecting the god interim figures, rose 10 more to 335p.

The prospect of an eventual bid from the consortium headed by the Marquis of Milford Haven prompted increased support of **Milford Docks**, 9 better for a gain on the week of 20 at 95p; the consortium recently exercised an option to acquire a near-30 per cent in Milford from N. G. Investments.

Textiles remained irregular. **Carpets International**, again the subject of "call" option business, responded to demand after-hours and closed 6 up at 42p. **Nottingham Manufacturing**, which revealed disappointing preliminary results last Monday, rallied a few pence but still retained a loss over the five-day period of 22 at 224p. **Lister**, on the other hand, eased 2 to 56p following the sharply reduced mid-term profits, while scattered selling left **David Dixon** 6 off at 172p.

Among Investment Trusts, **Altifund Capital** advanced 13 to 493p, while **Alliance Trust** closed 5 up at 685p. **River Plate and General** were marked 9 higher 222p following the annual results. **Atlantic Assets**, 116p, and **Personal Assets**, 46p, hardened 2 and 4 respectively following currency hedging proposals. Among Financials, takeover speculation continued to shroud **Aitken Hume** which rose 6 for a gain on the week of 44 at 181p. **Yule Catto** touched 243p before settling a net 7 dearer at 235p, while Press comment lifted **Kakuzi** 5 to 115p. **Exco International** dipped 17 to 653p at its Telerate subsidiary announced a proposed public offering of 5m shares by certain existing shareholders.

Bid talk lifts Lasmo

A busy week in the oil sector closed with **LASMO** sharply higher at a 1984-85 high of 385p, up 12 on the day and 40 over the five-day period, reflecting persistent talk of an imminent takeover bid; potential bidders mentioned, yesterday included Enterprise Oil, RTZ and BHP.

Other leading oils were marked down at the outset but gradually recovered in the wake of renewed gains in crude oil spot markets. Closing quotations were a shade firmer on balance.

Tricentrol shrugged off negative Press comment on the proposed £43.5m convertible rights issue and posted a 5 gain af 210p.

Among secondary issues **Falcon Resources** were unsettled by substantial profit-taking and closed 38 lower at 412p. **Great Western** dipped 20 to 250p.

James Finlay became volatile and moved between extremes of 163p and 147p before closing a net penny to the good at 156p—a rise of 15 over the week—amid revived rumours that John Swire has disposed of its 29 per cent stake.

Golds up again

Mining markets ended a generally good week on a firm note. Bullion made initial progress and touched $305 but subsequently eased a shade to close a net 25 cents off at $304.25 while base-metal prices were generally easier on balance.

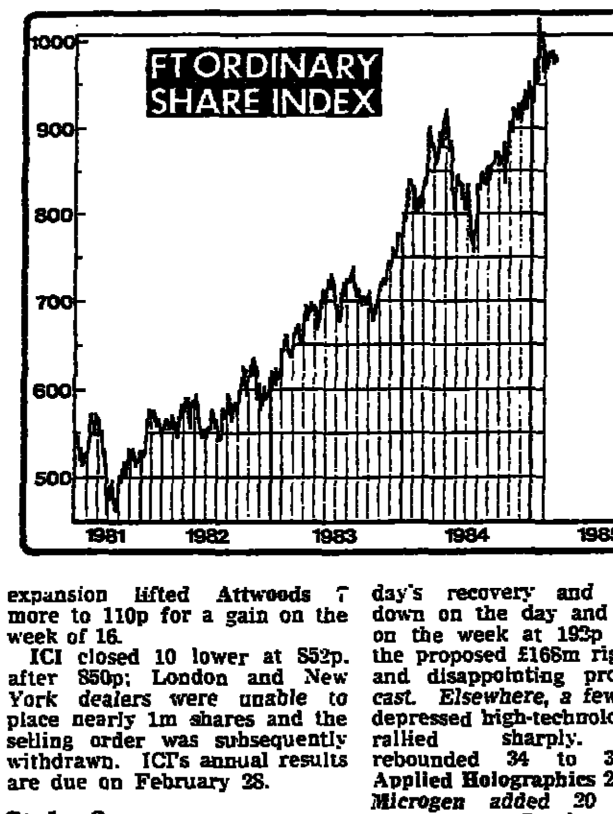
Nevertheles, the recently encouraging performances of precious and base-metaly markets generated sufficient enthusiasm to lift all the major sectors of the mining market. South African Golds rounded off the week helped by a continuing stock with widespread minor gains, shortage and the absence of any significant selling pressure. The Gold Mines index put on 3.1 more to 495.8—a four-day rise of 25 points.

Financials were again a much livelier market, especially the London-registered issues. **Consolidated Gold Fields** continued their revival and jumped 13 more to 523p—a rise of around 30 over the past three trading sessions.

In South Africans **De Beers** dipped 10 to 440p on U.S. profit-taking but retained a week's gain of 27 in front of the preliminary figures which are expected on March 12.

Recently buoyant **East Rand Consolidated** touched a year's best of 74p before retreating to 66p and closing a net 3 off at 69p following news that the company is seeking to raise funds to bring the mineral rights held in the Lydenburg area of Transvaal, South Africa, into production.

Traded Options finished the week on a relatively subdued note with 7,749 contracts struck—5,572 calls and 2,177 puts. The week's daily average amounted to 10,041. Recent favourites again held centre-stage with Jaguar attracting 1,029 calls and 202 puts and British Telecom recording 1,020 calls and 461 puts.



FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS	Fri Feb 15 1985	Thur Feb 14	Wed Feb 13	Tues Feb 12	Mon Feb 11	Year ago (approx.)	Highs and Lows Index
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Fri Feb 15	Day's change %	Thur Feb 14	xd adj. today	xd adj. 1985 to date	AVERAGE GROSS REDEMPTION YIELDS	Fri Feb 15	Thur Feb 14	Year ago (approx.)	1984 Highs	1984 Lows
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH GOVERNMENT INDEX—LINKED STOCKS

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† Flat yield. A list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4. [illegible]
CONSTITUENT CHANGES: [illegible]

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Feb 18	Mar 1	May 30	June 10
Mar 4	Mar 15	June 13	June 24
Mar 18	Mar 29	June 27	July 8

For rate indications see end of Share Information Service

Stocks to attract money for the call included Logica, Osceola, Bula, North Kalgurli, Nova Jersey Knit, Highland Electronics, John Crowther, Debenhams, "The Times" Veneer, Lex Service, Fergabrook, Dunlop, Hartons, Manchester Ship Canal, Magnet and Southerns, Steinberg, Great Western Resources, Brunswick, Churchill, Hillsdown, F. Pratt, Aitken Hume, Atlantic Resources, Pressac, Falcon Resources, Sears, Conroy Oil and Gas and Bolton Textile. Puts were done in Dunlop and Atlantic Resources, while a double was arranged in Combined Technologies.

RISES AND FALLS

	Rises	Falls	Same	Rises	Falls	Same
British Funds	105	0	0	294	188	43
Corporations, Dom. and Foreign Bonds	38	1	35	79	100	191
Industrials	267	272	904	1,411	1,608	4,199
Financial and Props.	127	95	321	645	524	1,555
Oils	33	16	74	168	102	345
Plantations	3	1	13	10	22	83
Mines	45	44	90	260	201	434
Others	38	110	54	399	260	338
Totals	656	540	1,491	3,266	3,005	7,158

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Applied Holographics	210	+20	Jaguar	335	−13
Associated Fisheries	111	+10	Logica	312	+34
East Rand Cons	69	− 3	Low and Bonar	298	+ 6
Falcon Resources	412	−38	Minet Holdings	266	− 1
Finlay (James)	156	+ 1	Sedgwick	367	−10
Imperial Group	200	− 1	Wheelock Marden A...	75	+12

THURSDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Thurs. close	Day's change	Stock	No. of changes	Thurs. close	Day's change
Hillsdown New	25	178	—	BP	14	573	+ 8
Imperial Group	20	201	−13	Man Ship Canal	14	323	+48
Aitken Hume...	19	175	+10	BOC	13	308	+ 4
Falcon Res ...	18	450	− 5	Cns Gold Flds	13	510	+15
ICI	17	862	− 2	Exco Int'l. ...	13	670	+22
Utd Biscuits ...	17	216	+18	Reckitt & Clmn	13	523	+18
Jaguar	16	348	+ 8	Cable & Wire	12	513	+ 3

5-DAY ACTIVE STOCKS

Based on bargains over the five-day period ending Thursday

Stock	No. of changes	Last Thurs. close	Change on week	Stock	No. of changes	Last Thurs. close	Change on week
Falcon Res ...	174	450	+ 7	Dunlop	92	45½	+ 8½
Jaguar	156	348xd	30½	RTZ	92	673	+16
Booker McCnll.	125	260	− 3	Debenhams	91	219	+ 2
TSL Th'ml Syn	112	202	+86	Imperial Group	89	201	−12
STC	107	194	−66	Cable & Wire...	88	513xd	−19
BP	105	573	+28	TI	88	242	+14
ICI	105	862	− 1	BOC	87	308	+17

FINANCIAL TIMES STOCK INDICES

	Feb. 15	Feb. 14	Feb. 13	Feb. 12	Feb. 11	Year ago
Government Secs.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fixed Interest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ordinary	979.9	984.7	977.9	[illegible]	[illegible]	[illegible]
Gold Mines	495.8	492.7	[illegible]	[illegible]	[illegible]	[illegible]
Ord. Div. Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Earnings, Yld.% (full)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
P/E Ratio (net) (*)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total bargains (Est.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equity turnover £m.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equity bargains	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shares traded (mil)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

Nil=10.59.

HIGHS AND LOWS

S.E. ACTIVITY

	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	[illegible]	[illegible]	[illegible]	[illegible]
Fixed Int.	[illegible]	[illegible]	[illegible]	[illegible]
Ordinary	[illegible]	[illegible]	[illegible]	[illegible]
Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]

LEADERS AND LAGGARDS

Percentage changes since December 31, 1984 based on Thursday February 14, 1985

[illegible]	[illegible]	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1984/85

NEW HIGHS (134)

NEW LOWS (18)

[illegible]

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price p	+ or −	Net dividend	Times covered	Gross yield	P/E ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible] Warrants attached.

Personal Assets

Personal Assets Trust has executed a forward foreign exchange contract for the sale of $3.75m at a rate of $1.07366 to the £1.

This is to protect shareholders' funds against a potential fall in the value of the dollar against sterling from its currently strong position. The contract matures on February 19 1986.

In the chairman's statement for the half year to October 31 1984 the importance of the dollar; sterling exchange rate was emphasised. "The situation has been kept under close review and the directors consider that the present relationship between the dollar and sterling is materially at variance with long term trends.

"This consideration, plus other factors suggesting that Government action is likely to defend sterling in the short term, have indicated that now would be an appropriate time to execute Personal Assets first currency hedging operation," they say.

STOCK EXCHANGE DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated, denominations are 25p and prices are in pence. The prices are those at which the business was done in the 24 hours up to 3.30 pm on Thursday and settled through the Stock Exchange Talisman system; they are not in order of execution but in ascending order which denotes the day's highest and lowest dealing prices.

For those securities in which no business was recorded in Thurday's Official List, the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ◉ Bargains done the previous day. ΔBargains done with non-member or executed in overseas markets.

RULE 535 (3)

Dealings for approved companies engaged solely in mineral exploration

Kenmare Oil Expln (Ir£0.25) 6½

(By permission of The Stock Exchange Council)

APPOINTMENTS

Senior managers move at CEGB

Senior appointments have been made by the CENTRAL ELECTRICITY GENERATING BOARD. They are: **Mr Jim Craig**, director general of the transmission and technical services diviison, **Mr Geoff Stone**, director general (reorganisation), and **Dr John Wright**, designate director of health and safety. **Mr Roy Matthews** becomes advisor to the executive and remains director of health and safety to end March 1986. Mr Craig's appointment follows the retirement of **Dr Peter Howard**. Mr Matthews' appointment follows the retirement of **Mr Fred Colmer**. **Mr Roy Houghton**, director of production, north western region and **Mr Tom McInerney**, director of production, south eastern region, will both assume additional responsibilities for the running of their regions following Mr Craig's movement from the post of director general, north western region, at the end of February and Mr Stone's movement from the post of director general, south eastern region earlier this month.

★

Mr Sam Notkin has been appointed director, business develpoment at the AMERICAN CHAMBER OF COMMERCE (UK). He was assistant director of the London office of the Port Authority of New York and New Jersey.

★

Mr Dale Fishburn, director of planning and research at ARC/Everetts, is joining VALIN POLLEN as director of planning from March 1.

★

Mr Tony Johns, until recently a director of P-E Consulting Group, has joined the BRIAN WOODHEAD GROUP, Birmingham.

★

Mr Rupert Bamford has been appointed London office director for JCB SALES following the retirement of Mr Mike Symons. Mr Bamford, younger brother of Mr J. C. Bamford, founder of the JCB Group, was commercial director for JCB Transmissions, Wrexham.

★

VAULDALE ENGINEERING, a subsidiary of N. G. Bailey & Co. has made a number of board changes. **Mr Noel S. Bailey**, a director of Vauldale, becomes chairman: **Mr Dennis A. Smith** and **Mr Harry Sumner** are apointed directors; and **Mr George T. Critchley** becomes company secretary. **Mr Bryan E. Carter** continues as managing director of Vauldale, with Mr Smith now responsible for the company's Aberdeen offshore operation. Mr Bailey is managing director, Mr Smith and Mr Sumner are directors, and Mr Critchley, company secretary and a director, of N. G. Bailey & Co.

★

TRETT CONTRACT SERVICES has apointed **Mr Leonard Ashworth** as chairman on his retirement from Davey Corporation. He was a director of Davey and chief executive of Davey Engineering Industries.

★

BINDER HAMLYN has appointed the following national directors: **Mr Frank Akers-Douglas** (personal financial planning); **Mr Rodney Graves** (corporate financial services); **Mr Paul Morris** (taxation services); **Mr Paul Williams** (information technology services) and **Mr Chris Swinson** (auditing and accountancy, publications, training). **Mr Stewart Urry** has been named national co-ordinator of private companies services.

★

Mr Stefan and **Ms Patricia Sargent** have been appointed, from March 1, non-executive directors of MOLINARE, a facilities group acquired by Television Services International at the end of last year. The Sargents will continue to manage their own business, Stefan Sargent and Partners.

★

Mr Robert Wiffen has been appointed to the board of BRUSH SWITCHGEAR, a Hawker Siddeley company, as sales director.

★

Mr R. S. Clague, lately general manager of the Isle of Man Bank, has been appointed chairman of the board of THE ENGLISH ASSOCIATION IN THE ISLE OF MAN, merchant bankers.

★

Mr Ron Morfee has been appointed managing director of RHP AEROSPACE, division of RHP Bearings, a subsidiary of RHP Group. He joins from GEC, where he was managing director of GEC Small Machines.

★

BARTLETT GROUP has appointed **Mr J. T. Rowlay** as a non-executive director. He was, until his recent retirement, managing director of J. Hepworth and Son.

★

Mr David J. Mumford, a director of J. Henry Schroder Wagg and Co, has been appointed to the board of THE TRANS-OCEANIC TRUST.

★

TATUNG (UK), a subsidiary of a Taiwanese company, has appointed **Mr Michael Foster**, formerly with the Philips Group, ITT Consumer Products and Comet, as deputy managing director and vice-president. **Mr Tony Adams**, previously sales director of Atari, becomes general commercial manager, and **Mr Jimmy Paget-Brown** becomes general sales manager.

★

Mr C. C. Schneppert will leave SHEERNESS STEEL COMPANY as chairman, chief executive and director from February 26. He has been chief executive since 1971 and chairman since 1976. **Mr C. E. H. Morris**, a former managing director of British Steel Corporation and presently vice-president, technical of Co-Steel International, Whitby, Ontario, Canada, the controlling shareholder of Sheerness, will be the new chief executive of Sheerness; **Mr G. R. Heffernan**, president of Co-Steel, will be the non-executive chairman and **Sir Jack Rampton**, who is a director of Sheerness, will become non-executive deputy chairman. **Mr P. A. Learmond**, the founding shareholder of Sheerness, will continue as a director and deputy chairman.

★

Mr Peter C. Adams has been appointed production director of BRUNTONS (MUSSELBURGH). He was with British Ropes as site manager, Cleckheaton Wire Mills.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	74.4	79.9	.....	1.46
Accum. Units	94.6	102.0	.....	1.46
J. Finlay High Income	53.0	57.0	.....	7.39
Finlay Wld. Energy	17.8	19.1	.....	2.60
Accum. Units	24.4	26.2	.....	2.60
J. Finlay Fd.In.Tst	86.5	93.0	.....	2.87
Accum. Units	125.1	134.5	.....	2.87

Prices on February 14. Next dealing February 20.

Robert Fleming & Co Ltd
8, Crosby Square, EC3A 6AN. 01-638 5858

†Am Exempt (1/2)	327.28	394.96	.....	1.93
†Jap Exempt (1/2)	244.36	252.29	.....	1.44
†Am Prop Tst(15/11)	$11,269		.....	7.00
†Prop Tst (25/12)	£2,116		.....	6.00

†Unauthorised.

Hexagon Services Ltd.
4 Gt St Helens, London EC3P. 3EP 0708 45322

Aust Friars	143.6	149.6	.....	2.23
Brewin Cap.	104.4	108.8	.....	0.46
Brewin Inc.	103.2	107.6	.....	4.12
Canada Grw.	139.8	150.4	.....	1.05

Hill Samuel Unit Tst. Mgrs.† (a)
45 Beech St, EC2P 2LX. 01-628 8011

(b) British Trust	393.1	418.2	.....	3.39
(b) Capital Trust	75.8	80.7	.....	2.70
(g) Dollar Trust	174.9	186.1	-1.8	2.50
(g)European Trust	63.8	67.9	+0.2	1.37
(g) Far East	98.1	104.4	+1.7	1.69
(b) Financial Trust	245.5	261.2	.....	2.64
(b) Gilt & Fxd Int Inc.	26.28	27.9	.....	10.53
(b)Gilt F.I.Growth	36.1	37.6	.....	3.72
(b) High Yield Tst.	47.4	50.5	.....	6.78
(b)Income Trust	58.7	62.5	.....	5.27
(g) Int'l Trust	100.2	106.7	+1.0	2.24
(g) Japan Tech Tst.	31.3	33.4	+0.6	0.52
(g) Nat. Resources Tst.	34.2	36.4	+0.3	1.48
(b) Security Trust	136.0	144.7	.....	3.18
(b) Smaller Cos Tst	49.1	52.3	.....	1.77
(b) Spec. Sits. Tst	76.2	81.1	.....	1.71
Gen Exempt Jan 15	£286.0	301.0	.....	3.67

INSURANCES

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Midland Bank Tst Corp (Jersey) Ltd
28-34, Hill St. St Helier, Jersey. 0534 72156
MdBkOsGt 100.3 100.7xd +0.5 11.92
MgBkIntBd $1.03 1.05 .... 7.52

Minerals Oils Res Shrs Fd Inc
PO Box 194, St Helier, Jersey. 0534 27441
MrsFeb14 $11.25 11.59 .... 3.45

Samuel Montagu Ldn Agents
114, Old Broad St, EC2. 01-626 3434
MtAmE(z) 121.5 127.5 −0.6 4.49
MtJapIn(z) 74.8 78.6 +1.1 4.08
MtGiltInc(z) 47.7 50.3 +0.3 11.45
MtSgFb12 £15.39 15.40 .... —
MtGold(z) $0.500 0.526 −0.01 —
Ap Fb14 SF118.90 129.05 +2.35 1.08
JpJn31 HK$41.74 45.18 .... 0.16
MtAmFb5 $19.42 20.89 .... 1.24
MFRNF14 $10.35 10.37 .... 1.24
USFIF Fb4 $12.12 12.76 .... —

Murray Johnstone (Inv Adviser)
163, Hope St, Glasgow C2. 041-221 5521
HpeStFb12 $65.61 70.27 .... —
MrFdFb14 $20.20 21.52 .... —
PacFd Fb5 $4.08 4.37 .... —

NEL Britannia International Ass Ltd
Acorn Hse, Athol St, Douglas, IoM. 0624 24924
Sterl Dep 92.8 99.8 .... —
Sterl Man 92.5 99.5 .... —
Gilt 89.9 96.6 +0.5 —
UK Man 92.6 99.6 +0.3 —
Intl Man 96.3 103.6 +0.7 —

Nat Westminster Jersey Fd Mgrs Ltd
23-25 Broad St, St Helier, Jersey. 0534 70041
HgInFd(a)(b) 54.7 57.0 .... 10.53
EqtyFd(a)(b) 107.2 114.0 .... 1.95
IntBdFd(a)* 82.5 85.0 .... 6.45
*Sub day every Thurs.
County Bank Currency Fund (z)
Dollar Class $23.4646 +0.0045 —
Sterling Class £11.6724 +0.0040 —
D-Mark Cl DM54.0447 +0.0080 —
DutchGldrCl DFl53.9850 +0.0079 —
Jap Yen Cl Y5,488.3590 +0.8526 —

Newport International Management
Bank of Bermuda Bldg, Bermuda. 809 295 40000
NptIntSec $14.83 — .... —
NptIntInc $14.59 — .... —
NptPcDl $11.95 — .... —

Norcap Fund Managers (Bermuda) Ltd
Bank of Bermuda Bldg, Bermuda. 809 295 40000
Amer Tst $9.74 10.13 +0.21 —

Normandy Trust Managers Ltd
29, Athol St, Douglas, IoM. 0624 29696
Ndy Mt £0.9364 9.356 .... —
Ndy Ct £1.1484 1.2089 .... 2.00
CrCGr £0.6359 0.7010 .... 2.00

Northgate Unit Tst Mngrs (Jersey) Ltd
PO Box 82, St Helier, Jersey. 0534 73741
PacFdFeb6 $11.29 12.14 .... —

Pacific Basin Fund
10a Boulevard Royal, Luxembourg.
NAV $15.54 .. —
Inv. Adv., M & G Inv. Mngt. Ltd. London.

Parinter Bond Fund S.A.
10a Boulevard Royal, Luxembourg.
NAV $9.32 ... —

Perpuestual UT Mngrs (Jersey) Ltd
PO Box 459, St Helier, Jersey. 0534 74517
Offshr Gth $1.185 1.260 .... 1.00

Phoenix International
PO Box 77, St Peter Port, Guernsey. 0481 23539
IntDollarFd $4.54 4.89 .... —
FarEastFd $3.31 3.97 .... —
IntCrncyFd $1.64 1.77 .... —
DirFxdIntFd $4.22 4.55 .... —
Stlg Fxd £2.50 2.70 .... —

Providence Capitol International Ltd
PO Box 121, St Peter Port, Guernsey. 0481 26726/9
£UK FxdInt 160.2 172.3 .... —
£UKStkMkt 187.8 202.0 .... —
£StgMgd 162.4 174.7 .... —
£SpeclMkt 106.9 113.9 .... —
$IntStkMkt 106.7 114.8 .... —
$IntFxdInt 119.7 128.8 .... —
$DllrMgd 118.2 127.2 .... —
$IntCurrncy 106.4 114.5 .... —
$ Wld Tech 130.3 140.2 .... —
NAmStMk 113.0 121.6 .... —
$ Far East 104.6 112.5 .... —
SwFrMgd 5.188 5.578 .... —
Prices Feb 13. Next dealing Feb 20.
For other prices ring 0481 26726/9.

Putnam International Advisers Ltd
10-12 Cork St, London, W1. 01-439 1391
Emerg Health Sci $10.85 .... —
International Fd $57.40
For Quest Fund Man. (Jersey) see Royal Trust Intnl. Mngt.

Quilter/Heinold Commodities
31-45 Gresham St, EC2V 7LH. 01-600 4177
RsRNAV $154.90 — 1.92
Next dealing date Mar 7.

Rea Brothers (IoM) Ltd
29 Athol St, Douglas, IoM. 0624 29696
Bond Fd £1.29 1.35 .... 8.44

Richmond Life Ass Ltd
4 Hill Street, Douglas, IoM. 0624 29441
Gold Bond 241.0 256.3 −0.9 —
StrlDpBd 180.63 192.60 +0.20 11.59
UK Gilt Fd 162.9 173.1 +0.9 —

Rothschild Asset Management (CI)
St. Julian's St, St Peter Port, Guernsey. 0481 26741
OCAmerFd* $2.83 2.99xd 0.95
OCSCO** 211.3 223.9 +2.1 1.47
OC Cdy*** 125.3 135.9xd .... —
OC$Cdv* $30.51 32.34 .... 1.83
OCHKFd†† $47.47 50.49 .... —
*Pcs Feb 7. N.D. Feb 21. **Pcs Feb 15. N.D. Feb 28. ***Pcs Feb 14. N.D. Feb 28. ††Dlg every Weds.
OCIR £ £16.346 +0.006 11.41
OCIR A$ A$16.281 +0.005 9.92
OCIR C$ C$42.169 +0.009 8.38
OCIR DFl DFl54.08 +0.010 5.27
OCIR DKr DKr164.73 +0.038 8.26
OCIR DM DM54.422 +0.008 4.77
OCIR BFr BFr979.48 +0.24 9.46
OCIR FFr FFr191.655 +0.055 9.51
OCIR HK$ HK$108.065 +0.084 4.89
OCIR Lire L45.250 +15 12.70
OCIR S$ S$71.415 +0.015 4.55
OCIR SF SF47.992 +0.0039 2.92
OCIR US$ $33.762 +0.007 7.40
OCIR Yen Y6,798.6 +0.98 5.14
OC Man £ £9.87009 10.17535 —
OCManDM DM39.09919 40.30845 —
OC Man $ $11.60145 11.96026 —

Rothschild Australia Asset Mgmt Ltd
17 Bridge St, Sydney 2000, Australia.
Five Arrows $1.45 1.48xd 5.70

Rouse Woodstock (Bermuda) Ltd
POB 1179, Hamilton, Bermuda. 809 295 2244
Systemtrend $10.94 .... —

Royal Bank of Canada Funds
PO Box 246, St Peter Port, Guernsey. 0481 23021
RBC Invest Managers Ltd
IntIncFd $10.24 10.90 ... 7.70
IntlCapFd $18.68 20.24xd −0.02 —
NthAmFd $8.80 90.38 +0.13 —
FEst&PacFd $9.31 9.98 —
Candn Fd C$10.49 11.21 +0.03 —
RBC Intl Currencies Fd Ltd
U.S. $ $24.25 +0.02 —
Canadian $ C$30.17 +0.02 —
£ Sterling £12.09 +0.01 —
D-Mark DM54.85 +0.02 —
Swiss Franc SF42.36 +0.01 —
Japanese Yen Y6,682 +3 —
Managed Fund $22.42 +0.07 —

Royal Trust Intl Fd Mgmt Ltd (x)
PO Box 104, St Helier, Jersey. 0534 27441
StrlFxdFd £0.815 0.827 .... 9.96(d)
Intl Secs $1.127 1.171xd 0.83
Intl Bds $0.674 0.684xd .... 8.08(d)
Prices on Feb 13. Next dealing Feb 20.

SCI/TECH SA
2 Boulevard Royal, Luxembourg.
SCI Tech NAV $10.12 .... —

Save & Prosper International
PO Box 73, St Helier, Jersey. 0534 73933
Fixed Interest Funds
DM Bd DM10.68 11.27 +0.04 4.88
$ Fxd Int $8.14 8.68 +0.09 10.14
Stlg Fxd 107.9 114.2 +0.7 12.28
Yen Bond Y1,450 1,540 +10 2.92
Equity Funds
GlblPrtFd $4.66 5.03 +0.06 0.83
UK Growth 164.2 177.6 −0.3 2.38
IntlGrowth $10.11 10.93 +0.14 1.01
Far Eastern $20.34 21.99 +0.54 0.34
Nth Amer $8.90 9.63 +0.01 0.10
Gold $8.56 9.28 +0.17 1.51
Multicurrency Reserve Funds
U.S. $ 1.00 — 7.66
D-Mark 10.00 — 4.40
£ Sterling 1.00 — 13.68
Yen 1,000.00 — 5.19
Deposit Fund
Strl Deposit 194.8 195.0 +0.3 0.13
All funds are daily dealings.

Schroder Mngt Services (Jersey) Ltd
PO Box 195, St Helier, Jersey. 0534 27561
Schroder Money Funds
Sterling £15.9789 .... 13.17
U.S. $ $30.1062 .... 7.34
D-Mark DM54.8056 .... 4.73
Swiss Franc SF53.4341 .... 4.26

J. Henry Schroder Wagg & Co Ltd
120 Cheapside, EC2. 01-382 6000
AmInFeb6 $26.07 — 0.40
AsFdFeb11 $27.10 29.18 .... 2.91
ChpsdFb13 $10.98 — −0.32 2.73
DigTtFb14 A$3.68 3.97 +0.02 3.6
JapFdFb14 $16.35 17.56 .... 0.28
TrafFdJ31 $16.16 17.15 .... —
N&TFeb11 $39.39 — +0.15 —

Schroder Unit Trust Mgrs Int Ltd
Box 273, St Peter Port, Guernsey. 0481 28750
MgdCrncy* 619.6 652.1 +0.5 6.12
£ Fxd Int* 609.3 642.7 +4.5 7.78
£ Equity* 177.1 189.4 −0.9 2.11
$FxdInt* $1.049 1.129xd +0.001 8.86
$Equity* $1.728 1.848 −0.005 0.54
HKFd* HK$9.650 10.320 +0.242 1.94
Schroder Life Assurance Int Ltd
MgdCrncy 705.7 758.2 .... —
£ Fxd Int 755.2 811.4 .... —
£ Equity 189.7 203.9 .... —
$ Fxd Int $1.415 1.520 .... —
$ Equity $1.715 1.843 .... —
£ Mngd 8.722 9.372 .... —
HK Life 8.722 9.372 .... —
Prices on Feb 13. Next dealing Feb 20. *Daily dealing.

Scrimgeour Kemp-Gee Mngmt Jersey
1 Charing Cross, St Helier, Jersey. 0534 73741
SKG Cap Fd 327.6 337.5 .... —
SKG Inc Fd 70.0 72.2 .... 7.58
Gilt Bond 170.5 179.5 .... —

Securities Selection Ltd
Bermuda Hse, St Peter Port, Guernsey. 0481 26268
Forexfund $6.82 7.17 .... —

Sentry Assurance International Ltd
PO Box 1776, Hamilton S. Bermuda 55303
For Funds Prices Phone UK 0908 670505 (24 hrs)

Singer & Friedlander Ldn Agents
21 New St, Bishopsgate, ECM 2HR. 01-623 3000
Dekafds DM30.21 31.75 .... 6.84
TokyoJn31 $62.80 — 2.30

Standard Chartered Off Money Mkt Fd
PO Box 122, St Helier, Jersey. 0534 74454
Sterling £11.3196 +0.0035 11.36
U.S. $ $22.8193 +0.0046 7.44
D-Mark DM53.4196 +0.0068 4.63
Swiss Fr SF41.7916 +0.0036 3.08
Jap Yen Y5,395.6385 +0.7647 5.15

State St Bank Equity Hldgs NV
Car Mgt Co, 6 John B. Gorsiraweg, Curacao.
Net asset value Feb 5 $8.76.

Strategic Metal Trust Mngrs Ltd
48 Athol St, Douglas, IoM. 0624 26866
StrMTt $0.9013 0.9280 −0.0217 —

Stronghold Management Ltd
PO Box 315, St Helier, Jersey. 0534 70152
Cmdy Tst $64.60 68.00 .... —

Surinvest (Jersey) Ltd
4 Hill St, Douglas, IoM. 0624 29441

TSB Trust Funds (CI)
26 Hill St, St Helier, Jersey (CI). 0534 73494
TSB Gilt Fd 97.0 100.0xd 12.00
TSBGiltFdJy 97.0 100.0xd 12.00
TSB Jy Fd 108.2 113.9xd 3.33
TSBGrnsyFd 108.2 113.9xd 3.33
TSBCrncyFd 104.6 109.9 .... —
Prices on Feb 13. Next dealing Feb 20.

Taiwan (ROC) Fund
c/o Vickers da Costa Ltd, King William St, London, EC4. 01-623 2494
NAV $424. IDR value US$10,821.85.

Tennant (Cayman) Managers Ltd and NATCO
PO Box 2189, Grand Cayman. 0101 (809) 9497436
Wstmstr-Cm $7.66 8.08 .... —

Tokyo Pacific Holdings NV
Intimis Management Co NV, Curacao.
NAV per share $132.74.

Tokyo Pacific Hldgs (Seaboard) NV
Intimis Management Co. NV, Curacao.
NAV per share $96.86.

Tyndall Bank (Isle of Man) Ltd
30 Athol St, Douglas, IoM. 0624 29201
StgMnyAcc 13.375 — .... —
US$MnyAcc 7.50 — .... —

Tyndall Managers
2 New St, St Helier, Jersey. 0534 37331
TOFSL 214.1 229.61 .... 1.09
American 241.2 259.8 .... 1.54
Far Eastern 276.4 295.8 .... 0.84
Prtflo Man 122.8 131.6 .... 0.74
European 115.0 123.3 .... —
Prtflo Amer 116.0 125.0 .... —
PrtfloSlEst 113.4 121.3 .... —
PrtfloSlEuro 115.2 123.3 .... —
Jersey Fd 183.4 200.4 .... 4.68
Nn-JAcUts 449.6 490.8 .... —
Gilt Funds 113.4 115.4 .... 10.53
(AccumShs) 306.2 311.6 .... —
Victory House, Douglas, IoM. 0624 24111
HighInrGilt 109.4 111.6 .... 12.87
(AccumShs) 210.2 214.4 .... —

Tyndall International Assurance Ltd
Albert House, St Peter Port, Guernsey. 0481 27058
Int Equity 499.6 525.9 .... —
Do $ 5.410 5.695 .... —
PacificEqty 143.5 151.1 .... —
Do $ 1.550 1.635 .... —
NAmEqty 107.5 113.2 .... —
Do $ 1.160 1.225 .... —
UK Equity 311.6 328.0 .... —
Do $ 3.375 3.555 .... —
EuroEquity 128.3 135.1 .... —
Do $ 1.390 1.465 .... —
IntlFxdInt 516.2 543.4 .... —
Do $ 5.590 5.885 .... —
StlgFxdInt 269.4 283.6 .... —
Do $ 2.915 3.070 .... —
$ Deposit 162.8 171.4 .... —
Do $ 1.760 1.855 .... —
StgDeposit 159.8 168.3 .... —
Do $ 1.730 1.825 .... —
Commodity 541.5 570.0 .... —
Do $ 5.865 6.175 .... —
Gold 85.7 90.3 .... —
Do $ 0.925 0.975 .... —
UK Prptv 197.8 208.3 .... —
Do $ 2.140 2.2550 .... —
Intl Mngd 416.5 438.5 .... —
Do $ 4.510 4.750 .... —
UK Mangd 262.5 276.4 .... —
Do $ 2.845 2.995 .... —

Tyndall-Guardian Mngt Ltd
PO Box 1256, Hamilton, Bermuda.
T-G American $21.35 .... —
T-G Money $24.43 .... —
T-G Eurobond $16.92 .... —
T-G Commodity $24.40 .... —
T-G Mortgage C$22.62 .... —
T-G Overseas $11.47 .... —
T-G Pacific Y2,111 .... —
T-G Wall Street $28.14 .... —
T-G Gold $7.34 .... —

M. G. Tyrrell & Co Ltd
PO Box 415, London W13 9NY.
Ortac $11.80 12.10 .... —

Unico Invest Fd Mgt Co SA Lux
London & Continental Bankers Ltd.
2 Throgmorton Ave, London. 01-638 6111
UsInvFd DM72.51 74.70 +0.10 —

Union-Investment Gesellschaft GmbH
Postfach 16767, D 6000, Frankfurt 16.
Unifds DM20.79 21.90 +0.10 —
Unirak DM73.94 77.65 +0.05 —
Unirenta DM40.95 42.20 +0.10 —

Unit Trust Services (Jersey) Ltd
PO Box 194, St Helier, Jersey. 0534 72936
TargetMCF 107.6 113.4 . 4.06
For Vanbrugh Currency Fund see Holborn Fund Management (Jersey) Ltd

United Fund Managers Ltd
16-18 Queens Rd Centre, Hong Kong. 5-231417
S & Mly Tst $8.05 8.21 .... 10.08

S. G. Warburg & Co and subsdrs
33 King William St, EC4R 9AS. 01-280 2222
Energy Int $46.51 — +0.30 —
Eurobond $16.65 16.82 ... 7.10
Select Risk $15.91 16.49 ... 1.52
39-41 Broad Street, St Helier, Jsy, CI 0534 74715
Cmn Mkt £31.57 32.36 .... 1.21
Far East £28.69 29.42 .... 0.85
Transatl $28.90 29.63 .... 1.65
Metals £13.37 13.70 .... 8.47
Sel Mkt £23.61 24.21 .... 1.45
Mercury Money Market Trust Ltd
D-Mark DM80.08 .. —
Dutch Guilder DFl107.81 .... —
Japanese Yen Y8,088 .... —
£ Sterling £20.34 .... —
Swiss Franc SF77.99 .... —
U.S. $ $34.45 .... —
1 Thomas St, Douglas, IoM. 0624 4856
IoM 60.5 64.4 −0.2 7.4
Intl Bond 42.2 44.9 +0.2 7.4

Wardley Fund Managers (Jersey) Ltd
HK Bk Bldg, Grenville St, St Helier. 0534 71460
WrdlyGiltFd 96.0 99.0 .... 11.36

Wardley Investment Services Ltd
4th Floor, Hutchison House, Hong Kong.
Wrdly Trust $5.55 5.93 .... 1.35
WdyNKAF $29.16 29.92 .... 4.53
WrdyBdTst $9.75 10.30 .... 6.21
WrdlyJapT $32.42 34.37 .... 0.29
WrdlyPrCT $10.38 10.91 .... 2.02

West Avon Secs (Guernsey) Ltd
Borough Hse, St Peter Port, Guernsey. 0481 27963
Gilt&OptFd £1.07 1.13xd 5.00
U.S. & Opt $0.98 1.03 .... —

World Wide Growth Management
10a Boulevard Royal, Luxembourg.
Wwd Gth Fd $11.64 .... —
Inv Adv M & G Inv Mngt Ltd, London.

Wren Commodity Management Ltd
10 St George St, Douglas, IoM. 624 25015
Wren Cm Fd 12.8 13.3 +0.1 3.10
Chinese Fd 57.1 59.5 −1.7 1.70
PrecMetFd 69.6 72.5 −1.8 6.30
VanCmdyFd 19.4 33.7 −0.1 —
FinFutFd 32.4 33.7 −0.1 —

Yamaichi Dynamic Mngt Co SA
10a Boulevard Royal, Luxembourg.
Dynamic Gth Fd $8.55 .... —

Money Market Trust Funds

	Nom	CAR	Int Cr	Notice
The Money Market Trust				
63 Qn Victoria St, EC4P 4ST. 01-236 0952				
Call Fund	13.80	14.37	6mth	Call
7-day Fund	13.82	14.39	6mth	Call
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AF. 01-236 1425				
Call Fund	13.80	14.27	6mth	Call
7-day Fund	13.88	14.36	6mth	Call
MnyMgAcc	13.62	14.33	6mth	Call
Dollar	7.12	7.24	6mth	Call

Money Market Bank Accounts

	Nom	CAR	Int Cr	Notice
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treas Acc	13.75	14.48	Qtr	Call
MthIncChq	13.50	14.37	Mth	Call
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc	13.20	14.03	Mth	Call
Barclays Prime Account				
PO Box 125, Northampton. 0604 252891				
HighIntChq	13.25	13.92	Qtr	Call
Britannia Grp of Investment Companies				
29 Finsbury Circ, EC2M 5QL. 01-588 2777				
Cater Allen	13.25	14.09	Mth	Call
Charterhouse Japhet plc				
1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	13.25	14.085	Mth	Call
U.S. Dollar	7.50	7.763	Mth	Call
German Marks	5.0	5.115	Mth	Call
Swiss Francs	2.0	2.018	Mth	Call
Japanese Yen	5.0	5.116	Mth	Call
Co-operative Bank				
78-80 Cornhill, EC3. 01-626 6543 Ext 464				
Undr£1,000	12.00	12.55	Qtr	Call
Over £1,000	14.0	14.75	Qtr	Call
Dartington & Co Ltd				
Dartington, Totnes, Devon, TQ9 6JE. 0803 862271				
MnyMktAcc	13.50	14.20	Qtr	Call
Henderson/Bank of Scotland				
38 Threadneedle St, EC2P. 01-628 8060				
MyMthChAc	13.00	13.80	Mth	Call
Lombard North Central plc				
17 Bruton St, W1A 3DH. 01-409 3434				
Notice Dep	13.25	13.68	Ret	14-day
M & G Kleinwort Benson				
91-99 New London Rd, Chelmsford. 0245 51651				
HighIntChAc	13.25	14.10	Daily	Call
Midland Bank plc				
PO Box 2, Sheffield. 0742 20999 Ext 8738				
HighIntChq	13.25	13.92	Qtr	Call
Provincial Trust (formerly Choulartons)				
30 Ashley Rd, Altrincham, Cheshire, WA1 2DW. 061-928 9011				
Cheque Acc	14.00	14.93	Mth	Call
Save & Prosper/Robert Fleming				
28 Western Rd, Romford, RM1 3LB. 0708 66966				
High Int Acc	13.10	14.00	Daily	Call
Premier Acc	13.10	14.00	Daily	Call
Tyndall & Co				
29-33 Princess Victoria St, Bristol BS8 4BX. 0272 73241				
Demand Acc	13.70	14.43	Qtr	Call
Money Acc	13.50	14.20	Qtr	Chq/7
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth. 0705 82773				
Special Acc	13.50	14.37	Mth	Call
Ovr£10,000	13.75	14.65	Mth	Call

NOTES—CAR: compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered prices include all expenses if bought through managers. z Previous day's price. † Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. :: Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase.

LONDON SHARE SERVICE

BRITISH FUNDS

1984-85 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102¼	99 11/16	Exch. 12pc Cnv. '85	99 11/16xd	+1/16	12.03	14.21
97¼	93 3/16	Treas 3pc 1985	97⅝	+⅛	3.08	12.88
102⅞	99¼	Treas 11½pc 1985	99⅝	+3/16	11.55	12.46
99¼	96 3/16	Treas 8¼pcCnv '85	98 7/16xd	+3/16	8.93	12.56
104 3/16	99½	Exch. 12¼pc 1985	99⅞	+⅛	12.27	12.30
103 13/16	99 1/16	Exch. 11¾pc '86	99⅝xd	+3/16	11.80	12.17
102 3/16	96 1/16	Treas. 10pcCnv 1986	97 11/16	+3/16	10.24	12.18
93¼	58¼	Treas 3pc 1986	93⅛	+⅛	3.22	8.71
102	96¼	Exch. 10½pc Cv '86	98 1/16	+¼	10.71	12.19
104 7/16	99 1/16	Treas 12pc 1986	99 11/16	+3/16	12.03	12.11
98¼	93½	Treas 8½pc 1984-86‡‡	95 13/16	+3/16	8.86	11.74
108 13/16	102 7/16	Exch. 14pc 1986	103 1/16	+3/16	13.59	11.90
89 13/16	85	Exch. 2½pc 1986	88 3/16	+3/16	2.83	9.73
107 11/16	100 13/16	Exch. 13¼pc 1987	102½	+⅛	12.93	11.74
100⅞	94½	Treas 10¼pcCv '87	97½	+1/16	10.52	11.69
87¼	83⅛	Exch 2½pc 1987	86⅝xd	+⅛	2.89	9.99
101 3/16	94½	Exch. 10½pc 1987	97 11/16	+½	10.75	11.74
92¼	87	Funding 6½pc '85-87‡‡	90½	+½	7.19	11.49
99⅝	92⅞	Treas. 10pc 1987	96½	+½	10.37	11.75
86⅝	81 3/16	Treas 3pc 1987	85½	+⅛	3.51	9.94
105	97¼	Treas. 12pc 1987	100½	+3/16	11.94	11.74
94⅞	87 9/16	Treas 7¾pc 1985-88‡‡	91⅛	+⅛	8.49	11.26
100¼	92 11/16	Exch 10½pc '88	96⅝	+½	10.87	11.78
98 7/16	89 15/16	Treas 9¾pc Cv '88	94⅝	+½	10.31	11.73
82 3/16	77	Transport 3pc '78-88	81⅝	+3/16	3.68	9.50
96 13/16	88 3/16	Treas. 9½pc '88	93⅛	+3/16	10.21	11.84
106¼	94 13/16	Treas 11½pc 1989	99 3/16xd	+½	11.58	11.72
96 13/16	87 11/16	Treas 9½pc Cnv. '89	92 7/16	+3/16	10.27	11.80
99⅝	90 11/16	Treas 10½pc 1989	95 11/16	+3/16	10.98	11.78
100 3/16	88⅞	Exch.10pc 1989	93 13/16	+½	10.66	11.83
101 3/16	94¼	Exch 11pc 1989	96 13/16	+½	11.37	11.89
85¼	77½	Treas 5pc 1986-89	80½	+½	6.22	10.38
114⅝	100⅛	Treas 13pc 1990‡‡	104⅞	+½	12.40	11.66
20⅛	19¼	Exch 11pc '90 (£20pd)●	20⅛	+⅛	11.31	11.61
		Five to Fifteen Years				
110⅞	100¼	Exch. 12½pc 1990	101⅞xd	+½	12.13	11.73
94⅛	84⅞	Treas 8¼pc 1987-90‡‡	90¼	+½	9.29	11.09
98 13/16	90⅝	Treas. 10pcCv 1990	95¼	+½	10.80	11.82
108¼	94¾	Treas 11¾pc 1991	100¼	+½	11.80	11.86
84⅛	75⅝	Funding 5¾pc '87-91‡‡	82½	+½	7.15	10.12
105¾	93⅞	Exch. 11pc 1991	99⅞	+½	11.41	11.78
113¼	98⅞	Treas 12¾pc 1992‡‡	105⅛	+¼	12.22	11.81
100⅝	86	Treas 10pc 1992	92¼xd	+¼	10.83	11.63
101	94 1/16	Treas 10½pc Cv 1992‡‡	98⅞	+⅛	11.13	11.66
111⅛	95¼	Exch. 12¼pc '92	101⅝xd	+⅛	12.02	11.93
117½	104⅝	Exch 13½pc 1992	106	+½	12.59	12.03
113⅝	98⅛	Treas 12½pc 1993‡‡	104½	+⅛	12.10	11.87
79¾	71¼	Funding 6pc 1993‡‡	75⅞xd	+½	7.86	10.22

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Misc.)

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

MINES—Continued

Finance

Australians

Tins

Miscellaneous

High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
410	210	Centenary Mines	270	+5	—	—	—
175	70	Colby Res Corp.	75	......	—	—	—
955	450	Cons. Murch. 10c	500	......	†Q100c	1.4	8.9
40	25	Ennex Int. Ir10p	40	......	—	—	—
252	150	Hampton Areas 10p	193	+6	3.75	2.1	2.6
225	140	Highwood Res.	170	–10	—	—	—
£24½	£16	Homestake Mining $1	£21¼	–⅝	Q20c	—	0.8
295	135	McFinley Red Lake	195	–10	—	—	—
240	101	Musto Explorations	225	......	—	—	—
55	23	New Sabina Res C$1	28	+1	—	—	—
365	220	Northgate C$1	325	......	—	—	—
718	500	RTZ	670	–3	†18.0	2.7	3.8
£155½	£113½	Do. 9½pcLn '95-2000	£143	......	Q9½%	35.4	6.7
£13	850	Tara Expln $1	£12½	+⅛	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	95	......	Arnott	155	......
Craig & Rose £1	£10	......	CPI Hldgs	58	......
Finlay Pkg. 5p	60	......	Carrol Inds.	100xd	+2
Higsons Brew	110	......	Dublin Gas	60	......
Holt (Jos) 25p	640	......	Hall (R. & H.)	48	......
IoM Stm. £1	123	–2	Heiton Hldgs.	16½	......
IRISH			Irish Ropes	37	......
Exch. 12% 1985	£99⅝	+⅛	Jacob (W.& R.)	55	......
Nat. 9¾% 84/89	[illegible]	......	TMG	100	......
Fin. 13% 97/02	£89[illegible]	......	Unidare	83	......

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	16	GKN	17	Turner Newall	10
BAT	32	Hanson Tst.	17½	Unilever	85
BOC Grp.	25	Hawker Sidd	38	Vickers	19
BSR	16	Hse of Fraser	30		
BTR	52	ICI	60	Property	
Babcock	14	'Imps'	18	Brit Land	12
Barclays Bank	48	Jaguar	28	Cap Counties	18
Beecham	32	Ladbroke	24	Land Secs	25
Blue Circle	45	Legal & Gen	50	MEPC	28
Boots	15	Lex Service	28	Peachey	22
Bowaters	20	Lloyds Bank	45	Samuel Props	14
Brit Aerospace	33	Lucas Inds.	25		
Brit. Telecom	11	Marks & Spcr	11	Oils	
Brown (J.)	3	Midland Bk	30	Brit. Oil & Min	4
Burton Ord	39	NEI	8	Brit Petroleum	42
Cadburys	14	Nat West Bk	60	Burmah Oil	18
Comm Union	19	P & O Dfd	36	Charterhall	6
Courtaulds	12½	Plessey	17	Premier	5
Debenhams	17½	Polly Peck	26	Shell	60
Distillers	28	Racal Elect	18	Tricentrol	18
Dunlop	6	RHM	11	Ultramar	29
FNFC	8½	Rank Org Ord.	32		
Gen Accident	45	Reed Intnl	50	Mines	
Gen Electric	17	Sears	8	Charter Cons	18
Glaxo	85	TI	20	Cons Gold	44
Grand Met	25	Tesco	28	Lonrho	14
GUS 'A'	60	Thorn EMI	35	Rio T Zinc	56
Guardian	60	Trust Houses	13		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 30

FINANCIAL TIMES
Saturday February 16 1985

36

MAN IN THE NEWS

Taste of freedom for Kim

BY STEVEN B. BUTLER

KIM DAE-JUNG held court all week in his modest home in western Seoul. Dressed in traditional Korean clothing, a baggy jacket and trousers and blue silk brocade, Korea's leading dissident politician has told a steady stream of Western journalists that he does not want to cause any trouble in Korea. The Government, apparently, does not believe him.

Hundreds of police are deployed around his house. They prevent ordinary Koreans from approaching his front gate and will not allow Mr Kim to go out.

They did not let him campaign for Korea's national elections last Tuesday; yet Mr Kim's very presence in the country is widely credited with helping the strongly anti-government New Korea Democratic Party, formed a month ago, make stunning advances in the election.

That, and the tumult surrounding his return to the country on February 8, when a scuffle at Seoul airport involving U.S. Congressmen led to official protest from the U.S. Government, has suddenly resurrected Mr Kim as a potent political force.

He may be more important as a symbol than a real political personage. In his continual

KIM DAE-JUNG

fight against the Government for political freedom in Korea, he has suffered as much as anyone. And Koreans respect suffering. But in the past 13 years of intermittent jail and exile, he has not had much chance to prove his political skills.

Mr Kim thinks all the talk about his being a political has-been is rubbish. "If I don't have a popular following here, why was the Government so afraid to let me come back, and why won't they give me my political freedom?" he asks.

His political demands are not terribly original. He wants more purely democratic representative institutions, freedom of speech, and local political autonomy—just about the same things all the other opposition leaders are asking for. But his skill was always a crowd-pleaser. He is a brilliant orator and has personal charm.

"He is a domineering, charismatic, powerful political figure," says a diplomat, "but he needs controversy and government opposition to help him."

Many Koreans say Mr Kim is a "demagogue," that he thrives on conflict and turmoil.

Although the Opposition has embraced him as a symbol of democratic struggle, many politicians privately resent his return to Korea and his stealing centre-stage. They don't like his habit of making decisions without consulting anyone.

Collectively, the Opposition won over half of the vote in Tuesday's election. But, because the vote was split among several Opposition parties, the Government party captured a majority of seats in the Assembly, with just 35 per cent of the popular vote.

Kim says he wants to bring unity to the divided Opposition. He and Kim Young-sam say they have buried their old intense rivalry for leadership of the Opposition and will work together.

But these two leading Opposition figures have not met in nearly five years, and few people are confident they can work closely together. Each of their supporters still take bitter swipes at the other side.

In his two years of exile in the U.S., Mr Kim denounced Mr Chun Doo-hwan, the Korean President, as a military dictator. But since he returned to Korea, Mr Kim has sounded a softer note.

"I can accept and work with the Government of President Chun Doo-hwan," he says. Using Mr Chun's official title is something of a concession in itself. He won't say what he will do, should his patience wear thin.

China offers to join PNG in Ok Tedi development

BY MARK BAKER IN PEKING

CHINA has offered to form a joint venture with Papua New Guinea to take over development of the Ok Tedi gold and copper mine.

The Chinese offer comes amid a bitter dispute between PNG's Government and an international consortium, including Australia's BHP, which has already spent about $1bn (£900m) to develop Ok Tedi, one of the world's biggest copper deposits, near the PNG-Indonesia border. BHP has estimated that another $500m needs to be spent to add the production of copper to the present output of gold.

PNG ordered closure of the mine last week after accusing the consortium of going back on promises to build a hydro-electric scheme, a port and other infrastructure necessary for long-term copper mining.

Development of the copper mine is critically important to PNG's economy and the row is seen as a threat to the country's standing with foreign banks and investors.

It is thought it could lead to an international legal battle for compensation by the consortium which also includes Amoco minerals, a subsidiary of Standard Oil of Indonesia, and Metallgesellschaft and Degussa, both of West Germany.

China has said that if the present Ok Tedi agreement is cancelled, it is prepared to arrange alternative financing to develop the mine in partnership with the PNG government. The offer was made by Li Peng, Chinese Vice Premier, during talks in Peking yesterday with Mr Paias Wingti, Deputy Prime Minister of PNG.

Mr Wingti said later that China was interested in investing in Ok Tedi to secure long-term supplies of copper ore and concentrates. Chinese officials, including Chen Muhua, the Trade Minister, had said China was prepared to become the main customer for Ok Tedi ore.

China bought about $36m worth of ore from PNG's Bougainville copper mine in 1983. According to Mr Wingti, the Chinese would quadruple copper imports immediately if PNG could increase supplies.

Mr Wingti said he had not discussed China's investment proposal in detail as his Government did not want to "go behind the back" of the consortium. "But the Chinese are very interested. They made clear that if the circumstances were right they would be able to invest in Ok Tedi and be repaid in copper or agreed currencies."

The proposal is in line with other moves by China over the past two years to invest in resources industries overseas, including Australia, New Zealand and Canada.

The OK Tedi proposal is a windfall for the PNG Government as negotiations continue with the consortium, which is believed to have made a fresh proposal for breaking the deadlock.

Development of the mine has been bedevilled by the slump in gold and copper prices which has raised doubts about its long-term viability. PNG has accused the consortium of being interested only in the deposit's gold cap and not in the more costly development of copper reserves.

Brussels warning on milk levy

BY IVO DAWNAY IN BRUSSELS

THE EUROPEAN Commission is poised to return to the offensive against member states if the superlevy on surplus milk production is not paid by March 7.

Mr Frans Andriessen, the Farm Commissioner, has warned agriculture ministers that he will withdraw concessions easing the levy's impact. The levy is aimed at curbing overproduction by imposing financial penalties if quotas are exceeded.

A committee of the Ten examining technical details of the measures has been bogged down in internal bickering over how they should be introduced.

Mr Andriessen would not disclose yesterday how he proposed to penalise countries failing to meet the latest quarter's payments. It is thought that the commission might again withhold advance support payments for dairy farmers usually paid monthly.

This procedure, along with legal actions to enforce payment of the levy against offending states, was first imposed by the previous commission in December when several countries refused to raise the levy for the first half-year.

The refusal came after France and Belgium argued that, for administrative reasons, they were unable to impose quotas on producers. Other member states, led by the Netherlands and the UK, then said they would not be able to penalise their farmers for overproduction if others were exempted.

Whatever the outcome of this latest step in the super-levy saga, the commission looks certain to face further problems at the annual agricultural product price fixing talks in March. As one of his conciliatory gestures, Mr Andriessen proposed last month to allow national—as opposed to producer level—quotas for the current year only.

This lessens the pressure on farmers to cut back, leaving overall responsibility for the levy to national governments. There is now a move by several member states, including Italy, West Germany and France, to make this the permanent system.

Mr Andriessen said yesterday he would fight any such move, along with any efforts by member states to increase the total quotas agreed.

In spite of the rows, total EEC milk production fell by 2.7 per cent in the first half of the current marketing year. Though this is well short of the 4.2 per cent target reduction, the fall is expected to have accelerated as winter set in.

Chess

Continued from Page 1

of the Israeli team a visa. That matter is still unresolved so Mr Campomanes is expected to fly from Moscow to Dubai, after he has recovered from his mauling at the hands of the world's two top chess players.

In an angry aside to reporters yesterday, the distressed Mr Kasparov insisted: "I have said more than once that I want to play this game and I am absolutely healthy. They (the Soviet Chess Federation) have tried to convince me otherwise."

While 33-year-old Mr Karpov is very much the golden boy of the Soviet establishment, a Russian, a party member and a recipient of the order of Lenin, the 21-year-old Mr Kasparov is less conventional.

He is half Armenian, half Jewish, and lives in Baku, capital of the Transcaucasian republic of Azerbaizhan, as far from Moscow as is London. Mr Kasparov was born with his father's surname of Weinstein. However his name was later mysteriously changed to Kasparov, a "good Russian" version of his mother's maiden name, Kasparian.

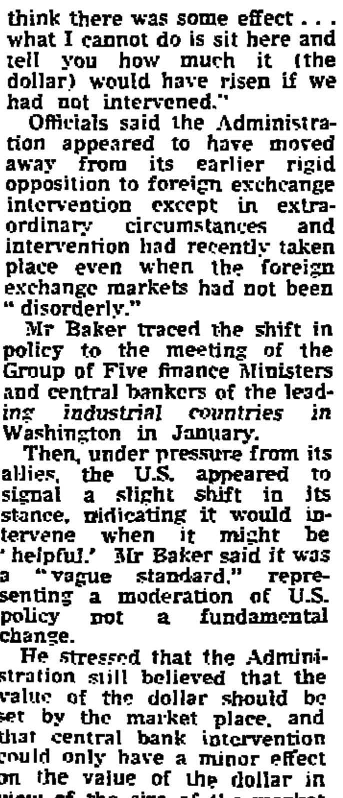
Mr Karpov's outburst that he wanted to continue the match, after Mr Campomanes had already declared the event abandoned, may be deceptive. Mr Kasparov yesterday confirmed reports that the champion had twice telephoned Mr Campomanes in Dubai, asking for the match to be stopped, with him retaining the title.

Many experienced chess players believe that Mr Karpov, who retains his title, staged his protest yesterday in an attempt to convice the chess world that he was responsible for the way he was rescued from imminent physical collapse. According to the rules, if a player abandones a match, he loses, no matter what the score.

Dollar eases

Continued from Page 1

think there was some effect ... what I cannot do is sit here and tell you how much it (the dollar) would have risen if we had not intervened."



Officials said the Administration appeared to have moved away from its earlier rigid opposition to foreign exchange intervention except in extraordinary circumstances and intervention had recently taken place even when the foreign exchange markets had not been in "disorderly."

Mr Baker traced the shift in policy to the meeting of the Group of Five finance Ministers and central bankers of the leading industrial countries in Washington in January.

Then, under pressure from its allies, the U.S. appeared to signal a slight shift in its stance, indicating it would intervene when it might be "helpful." Mr Baker said it was a "vague standard," representing a moderation of U.S. policy not a fundamental change.

He stressed that the Administration still believed that the value of the dollar should be set by the market place, and that central bank intervention could only have a minor effect on the value of the dollar in view of the size of the market which he estimated at about $10bn a day.

He still believed intervention was best limited to cases of disorderly markets.

Alexander Nicoll writes: A sign of nervousness among UK investing institutions about a possible dollar decline came yesterday when Ivory & Sime, the Edinburgh fund management group, said it was hedging the dollar-denominated portfolios of four investment trusts.

Three trusts, Atlantic Assets, Independent Investment and Personal Assets, arranged forward foreign exchange contracts, agreeing to sell a total of $78m (£70.6m) in a year's time at $1.07 to the pound, in order to protect their investments against a potential dollar fall. The fourth, Edinburgh American, has borrowed $29m of which $17m will be invested in UK gilt-edged securities.

Ivory & Sime said it believed the dollar's sterling value was out of line when compared with its long term trend.

Inmos quote may come soon

BY GUY DE JONQUIERES

PREPARATIONS are "quite well advanced" for a possible stock market flotation of a minority stake in Inmos, the former state-owned microchip manufacturer, Thorn-EMI said yesterday. The electronics group bought the Government's majority stake in Inmos last year.

Mr Harold Mourgue, chairman of Inmos and finance director of Thorn EMI, said he hoped that £30m to £50m could be raised through a share issue. No firm decisions had been reached, but he indicated that Thorn EMI favoured a flotation in the U.S.

Inmos yesterday reported a profit of £14.4m on turnover of £110.8m for the year to December, its first full-year profit since it was formed in 1978. In 1983 it lost £13.8m on turnover of £37.8m.

Mr Mourgue said Inmos was considering building a third plant, in addition to its factories in Newport, South Wales, and Colorado Springs in the U.S. One possible site was in the Netherlands, where Inmos had recently agreed an outline financial package with investors.

Last year's results were in line with forecasts made when Thorn EMI bought the Government's 76 per cent stake in Inmos for £95m las tsummer. Thorn EMI has since raised its holding to 84 per cent by buying shares from Inmos's founders and staff.

Mr Mourgue would not forecast prospects this year but said business was "not going too badly." Orders had fallen in the past three months, reflecting a general slowdown, but had recently stabilised.

Thorn EMI intended to retain "a substantial majority" of Inmos. A flotation would involve the issue of new Inmos equity and the proceeds would be used to finance the microchip company's operations.

Inmos plans this year to invest substantially more than last year's £28m, to fund modernisation and expansion of plants and launch of products, including a new range of microchip memories and the "transputer"—a computer on a chip.

The company is expected to have to seek £20m to £30m in external finance in each of the next three years. Thorn EMI emphasised that it was committed to providing the necessary support.

Thorn EMI indicated last summer that it would seek to float some Inmos shares this year. About 2,000 Inmos employees own stakes in the company and are keen for an independent market price to be established.

Thorn EMI believes a successful flotation would vindicate its decision to buy Inmos, which was widely criticised in the City. Mr Mourgue said the opportunities for selling shares were better in the U.S. than in the UK because American investors took a more positive attitude towards high-technology companies.

More than 80 per cent of Inmos' sales last year were in North America. The company has decided to prepare its accounts in dollars instead of sterling from the start of this year.

Thorn EMI reorganisation
Page 3

Miners

Continued from Page 1

member NUM executive details of the document and later did the same for the Nacods executive. The remainder of the day was taken up with separate discussions within the two executives.

Mr Willis did not personally recommend the draft but said it represented the limit of what the coal board was prepared to offer.

Mr McNestry made it known earlier that he was dissatisfied with Mr Willis's remarks.

He was concerned about breaching the Nacods October agreement with the board, which amends the colliery review procedure by introducing an independent element which would arbitrate on disputed issues and to whose findings all parties would give due weight.

It is understood that part of the TUC/NCB documents lays down that until the independent element can be agreed between the parties—which could be a lengthy period—the present review procedure would continue.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Treas. 10½% 1989	£95	+ 5/16
Treas. 14% 1998-01	£119½	+ 1
Treas. 2½% I.L. 2020	£95½	+ ½
Applied Hologrphs	210	+ 20
Assoc. Fisheries	111	+ 10
Attwoods	110	+ 7
Avon Rubber	293	+ 20
Benford Concrete	70	+ 5
Brit. Vending	70	+ 7
Carpets Intl.	42	+ 6
Cons Gold Fields	523	+ 13
First Natl Finance	103½	+ 3
Intereurope Tech.	450	+ 50
Logica	312	+ 34
LASMO	385	+ 12
Milford Docks	95	+ 9
Rowntree Mackint'h	375	+ 10
Stylo	185	+ 15
TSL Thermal Synd.	212	+ 10
Trafford Park Ests.	212	+ 17
Vickers	247	+ 10
Ward Hldgs	160	+ 13
FALLS		
BTR	642	− 12
Debenhams	213	− 6
Falcon Resources	412	− 38
ICI	852	− 10
Jaguar	335	− 13
Lex Service	240	− 13
Lloyds Bank	563	− 22
Sedgwick	367	− 10

WORLDWIDE WEATHER

UK today: Very cold. Generally dry and sunny. Widespread persistent frost. Outlook: Little change, snow possible in S.

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	16	61	Dallas	F	2	36	Madeira	S	18	64	Perth	S	26	79
Algiers	S	22	72	Dublin	S	2	36	Madrid	C	13	55	Prague	F	−8	18
Amsdm.	S	−5	23	Dbrvnk.	C	5	41	Majorca	S	18	64	Rykjvk.	Sl	5	41
Athens	S	9	48	Edinbgh.	S	1	34	Malaga	F	20	68	Rhodes	S	6	43
Bahrain	S	23	73	Faro	F	16	61	Malta	S	18	64	Rio J'o†		—	—
Barclna.	S	22	72	Florence	R	6	43	M'chstr.	S	1	34	Rome	C	15	59
Beirut		—	—	Frankft.	S	−8	18	Melbne.	S	32	90	Salzbrg.	Sn	−6	21
Belfast	S	1	34	Geneva	Sn	−1	30	Mex. C.†		—	—	S'cisco†	F	9	48
Berlin	S	−8	18	Gibrltr.	S	16	61	Miami†	F	7	45	Singapr.	F	31	88
Biarritz	F	16	61	Gl'sg'w	S	2	36	Milan	C	1	34	S'tiago†		—	—
Bmghm	S	−2	28	Guernsey	C	0	32	Montrl†	Sn	−7	19	Stckhm.	F	−15	5
Blackpl.	S	1	34	Helsinki	S	−16	3	Moscow	S	−13	9	Strasbg.	S	−6	21
Bombay		—	—	H Kong	F	21	70	Munich	C	−9	16	Sydney	S	25	77
Bordx	C	14	57	Innsbrk.	Sn	−4	25	Nairobi	S	27	81	Tangier	S	19	66
Boulgn.	S	−5	23	Invrnss.	C	−1	30	Naples	C	13	55	Tel Aviv	R	10	50
Bristol	S	−2	28	I.o. Man	S	1	34	Nassau		—	—	Tenerife	S	20	68
Brussels	S	−7	19	Istanbul	S	0	32	Nwcstl.	S	2	36	Tokyo	S	9	48
Budpst.	Sn	−7	19	Jersey	C	−1	30	N Delhi	S	20	68	T'r'nto†	Sn	−8	18
Cairo	C	11	52	Jo'burg	T	17	63	N York†	F	−1	30	Tunis	S	21	70
Cardiff	F	−3	27	L. Pims.	F	19	66	Nice	S	17	63	Valencia	C	19	66
Cape T.	S	24	75	Lisbon	C	15	59	Nicosia	C	9	48	Venice	Sn	0	32
Chicg.†		—	—	Locarno	F	3	37	Oporto	C	14	57	Vienna	F	−6	21
Cologne	S	−6	21	London	S	0	32	Oslo	F	−9	16	Warsaw	Sn	−7	19
Cpnhgn	Sn	−8	18	L. Ang.†	F	16	61	Paris	F	−1	30	Zurich	Sn	−5	23
Corfu	F	10	50	Luxmbg.	S	−8	18	Peking		—	—				

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

THE LEX COLUMN

A spot of vertigo for equities

The London equity market is still paying scant regard to the effect on economic activity of 14 per cent base rates. Even a week ago, equity brokers could have called on their friends in the bill market to testify that base rates would soon be down to more hospitable levels. But, while a small base rate cut is still being discounted in the money market, rates have moved up by the best part of a point in the past week. Yesterday's treasury bill rate was three-quarters of a percentage point higher than a week ago.

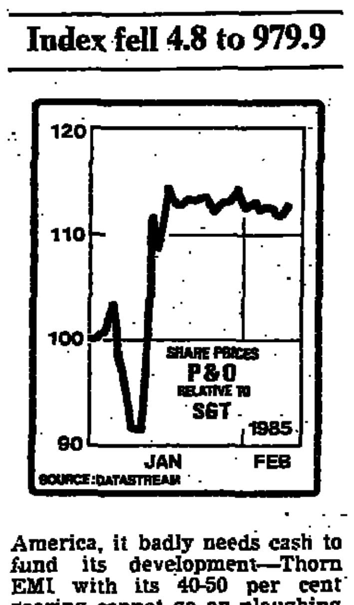
The enthusiasm for equities which characterised the start of the year has admittedly evaporated and this week the FT 30-Share Index actually recorded a fall of 8.6 points, finishing at 979.9. But, while few fund managers would publicly predict that the index will jump smartly back into four figures, the fear of being left out in the event that it does is enough to keep prices on a fairly even keel.

So trading remains thin and the market as a whole lacks direction and leadership. Sterling, which has been leading gilt-edged a merry dance, seems barely to have affected sentiment in equities, while even this week's revival in rights issue activity was treated with remarkable sang-froid. In individual sectors, it is a different story. Tuesday's results and rights issue from STC sent the electronics sector into a tailspin, while the view that the Chancellor has only limited scope to cut taxes next month has caused some price weakness in stores. But, even leaving the Budget aside, the market is trailing some way behind the economists, some of whom were not long ago expecting consumer spending growth of around 5 per cent this year. The consensus forecast now is for about half that.

The standard explanation for the current value of the London equity market is that institutions have nothing better to do with their cash. That may be true for the moment. But institutions always manage to find another home for their money once someone starts selling.

Inmos

When a company starts publishing its accounts in dollars, it is probably fair to assume that a U.S. flotation is not far from its mind. For Thorn EMI, which bought 76 per cent of Inmos amid much criticism from the City last September, such an offer must seem tempting. Inmos's sales are 85 per cent in America, it badly needs cash to fund its development—Thorn EMI with its 40-50 per cent gearing cannot go on ploughing in money for ever—and the U.S. market tends to be more receptive than London to start-up companies.



Yesterday's results, showing pre-tax profits of £14.4m compared with a £13.5m loss the year before, should go down well with potential investors—and are one in the eye for Thorn's critics. On these earnings, Thorn bought its Inmos stake on a prospective multiple of just 8.6.

Thorn must realise, though, that 1984 was a bumper year for semi-conductors, and the future for Inmos looks a lot less certain. Prices have been falling at least as fast as costs and though Inmos's products are at the top of the range, they are not entirely insulated from what is going on below. Even if the company does see the usual volume growth in demand of 30 per cent this year, prices and margins may not grow anything like in line.

Its performance in 1985 will depend on how it manages the difficult transition to higher-powered memory chips. Further on, the transputer — or "computer on a chip" — is its great white hope. The challenge here is not technology, or even production, but marketing: Inmos must persuade major manufacturers that they should use its product in their machines.

Lex Service

Yesterday's share price movement in Lex Service Group raised a tricky little question about the relationship between stockbrokers and their corporate clients in the securities market of the future. The Lex price weakened in response to a reduced profit forecast from a leading broker, Phillips and Drew. Nothing unusual in that, except that the price movement was very sharp: (Lex opened 28p down at 225p and closed at 240p for a 20 per cent fall on the week), that the forecast of 1985 profits was cut by no less than a third and that P & D happen to be Lex's own brokers.

There is no suggestion that P and D has acted improperly. It may be that another broker would have had equal access to Lex's American electronic components business, the source of this particular problem, although there have certainly been cases in the past when a single company broker has almost monopolised the flow of information about its client.

But the question of whether or not a corporate broker is an insider—and this must be a grey area—will become far more acute when brokers are entitled to take positions in securities as well as trade them on behalf of clients. The onus is on companies to make a full statement to the Stock Exchange when there has been a sudden change in trading circumstances—as appears to have happened with Lex—and on the brokers to steer well clear of the shares until the circular is out of the way. And those are matters on which there must be hard and fast rules.

P & O/SGT

Shareholders in Sterling Guarantee Trust have a week in which to decide whether to accept P & O's offer for their shares. Sir Jeffrey Sterling has clearly convinced the City that the merger he proposes justifies the expectations it carries; and P & O is offering too great an increase in income for SGT shareholders to refuse. The outcome of the merger itself is not in doubt.

The question for any others interested in the new company is how to get in: through P & O or SGT. A holder of 11 SGT shares will receive two new P & O Deferred shares as well as convertible paper worth around 55p. At yesterday's prices, and adjusting for the P & O rights issue to which SGT holders are not entitled, 11 SGT would produce a capital value worth about 7p more once the merger is completed. But SGT shareholders will lose P & O dividends worth 18p net, which would be covered by income from the convertible only in five years. You pays your money and you takes your choice.

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